Volume XLVI] *September, 1931* *[Number 3*

POLITICAL SCIENCE QUARTERLY

THE SILVER PROBLEM [1]

WHEN I received the invitation to discuss this topic, I was in the middle of the Pacific Ocean, and the invitation came by wireless. I at once fully appreciated the great honor of the invitation but, under the soporific effect of calm and blue Pacific seas, I am not sure that I fully realized at once either the delicacy or the difficulties of the subject which was suggested. I have become very conscious of both since I arrived in this country.

I have often had to choose between indiscretion and dullness. I am afraid that in this case I have chosen both horns of that unpleasant dilemma. So far as a choice is still left to me I shall put you upon the horn of boredom rather than myself on the horn of indiscretion. Perhaps I should have been warned by a well-known English proverb, that if my speech is silver, my silence would have been golden.

One precaution I must take. I must make a short personal preface, which is this—I have recently been in India, but I know nothing of Indian policy except what every one knows from declarations published in the press. I have recently been in China, but nothing which I say here will be based upon any knowledge of the Chinese Government's policy in this matter. I have until recently been the head of the Economic and Financial Section of the League, and indeed, I was representing the League when I went to China, but my appointment

[1] The substance of this article was delivered as an address at a luncheon given by the Academy of Political Science, at the Hotel Astor in New York City on June 1, 1931, in honor of Sir Arthur Salter.—ED.

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has since come to an end. My statements, therefore, are not to be interpreted as in any way representing what the League of Nations may think or what it might think if this question came under its official purview. And lastly, as regards the British Government, it is more than ten years since I have been a representative of the British Government on any matter. What I would therefore of those who may read my words, is that so far as the vials of their wrath may descend upon me, they may be concentrated upon my unhappy head and not extend in any degree or in any measure to any body or any institution with which I have in the past been associated.

My problem is the fall of silver. What is this fall? I am going, as far as may be, to give facts without figures, but here and there I shall have to digress from that good resolve.

As to the extent of the fall, I think I need only say this. Roughly speaking, in the year 1920 silver, in terms of gold, had about twice the value that it had in the pre-war year of 1913; just before the present depression, in 1928, it had fallen back to about the price of 1913; and now at this moment, instead of being as it was in 1920, twice the 1913 price, it is rather less than half of that price.

Let me at once add that this fall, particularly the recent fall of the last two years, does not represent an equivalent decline in the real value of silver or in its purchasing power.

Silver has fallen in terms of gold as all other commodities have fallen in terms of gold. It would be much more true to say that gold has appreciated in relation to all commodities, including silver. That is the big and fundamental fact with which one has to start. It is, however, true that silver has in these last two years fallen rather more than the average prices of industrial products. It is also true that there are certain special causes, and certain special consequences. I propose to discuss these special causes and consequences, and also certain proposed remedies.

In the first place, as to the causes, apart from the major fact to which I have referred, that gold has gone up, there is of course the general effect of the world depression which has certainly operated to a very large extent to depress the value

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of silver. Here I entirely agree with Mr. Lamont,[1] that the relation (and this point I shall develop more a little later) between the world depression and silver is much more that the fall of silver has been caused by the world depression than that the world depression has been caused by the fall of silver.

But apart from these major causes, and as a long-term factor underlying more temporary and more recent causes, is the fact that quite a number of countries such as India, Japan, the Dutch East Indies, the Philippines, the Straits Settlements, Siam and Indo-China, which until a comparatively recent date had currencies based upon silver, now have currencies based upon gold. In addition, a number of countries in Europe which previously had an extensive silver coinage are now either using notes instead of token coins or are using nickel instead of silver. The consequence has been not only that the demand, and, if this policy continues, the permanent demand, for silver will be in these respects reduced, but also that a great deal of silver thus came into the hands of currency authorities, who have been disposing of it upon the market.

As to production, it is natural that after the very high and abnormal price of silver in 1920, production should have substantially increased. At the same time, I do not think it can fairly be said that the principal cause of the recent fall in silver is increased production. This does not mean that there has not been overproduction. If the permanent demand for silver has in any respect permanently fallen, there is overproduction unless production is correspondingly curtailed. As regards any other commodity, no one would seriously say that it is the duty of those who consume that commodity to maintain their consumption in order to maintain production. If they do not want the article, the normal process is that the article should be produced in lesser quantity. There is one other point that I ought to add, too, about the production of silver because it underlies the whole problem. The normal, automatic adjustment of production to demand is somewhat slower and less complete in the case of silver than in the case

[2] Mr. Thomas W. Lamont presided at the luncheon, *cf. supra*, p. 321, note.

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of other commodities because something like three-quarters of the silver that is produced is produced not from "straight" silver mines which produce silver solely for its own sake, but as a by-product of other metals. This means that a fall in silver as such does not tend correspondingly to reduce the production of silver, and it also means, incidentally, that any schemes based upon a deliberate curtailment of production are, of course, immensely more difficult than they would otherwise be and perhaps impossible. So much for the causes.

Now a word as to the consequences. China, the only important country that is now on a silver currency, has certainly suffered loss, with Hongkong, through the fall. In the first place, those who earn their money in silver and who desire to buy foreign products (I say foreign because this observation does not apply to the same extent to those who are buying products inside the country, since inside prices have not risen at all correspondingly) have of course found that their purchasing power for those commodities is reduced, as it takes more silver to buy a given amount of gold, though again not *correspondingly* reduced because gold prices have fallen. China has also suffered just the same kind of internal dislocation in her economic system that European countries did when they had paper and depreciating currencies.

In the second place, a number of countries which are on a gold-standard basis, such as India and the Straits, the Dutch East Indies, and so on, use silver to a great extent, not as the basis of their currency but as a medium of saving. In these countries people who have saved in silver have also lost through its fall. In one respect their loss is indeed greater than in silver standard countries. An Indian peasant, for example, has saved a given amount of silver. He has been accustomed, in the past, in hard times, to bring out that block of silver and to get a perfectly definite number of rupees for it, but the rupee, although looking like silver, is now a gold standard coin. The Indian peasant therefore finds, for reasons which he cannot understand but which, in the absence of a very elaborate economic explanation, he not unnaturally ascribes to the malice of the Government of India, that he gets

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only half as many rupees. And it is in rupees that he has to purchase not only the relatively small proportion of goods which he wants from abroad but things produced in India itself.

In the third place, of course, and most obvious of all, those who produce silver have lost heavily as a result of the recent big fall in silver—just as they gained heavily (it is well to remember) from the equally abnormal increase in the value of silver in 1920.

What of the rest of the world? The answer depends upon the relation between the fall of silver and the world depression. It has sometimes been stated that the fall of silver is a principal factor, sometimes even *the* principal factor in the world depression. Those who make this statement point to the fact that China has a population of some four hundred millions, something like a fifth of the total population of the world, and that all the silver-using countries together, including India etc., constitute very nearly half the population of the world. It is argued that if the purchasing power of half the world has been thus reduced, obviously that is a great factor in international trade.

In an argument of this kind, however, it is misleading, in the first place, to speak of China as having a fifth of the population of the world or the silver-using countries as having half the population of the world. It is true, and if we are thinking of the future place that China may occupy in the financial and economic world, it is well to point to her huge country, her big population. But if we are searching for the explanation of a world depression which only began less than two years ago or searching for a cure that can have an effect in the next year or two, what we want to bear in mind is that if China had twenty per cent of the world's population before this depression, she took not twenty per cent but two and a half per cent of the world's exports. And so with all the silver-using countries together. If they have fifty per cent of the world's population, they used to take in normal times not fifty per cent but ten per cent of the world's international trade. But that is not all.

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In the second place, they have not stopped buying from abroad; they have only reduced what they purchase from abroad. China, for example, in 1930, the depression year, bought from abroad only about twenty-seven per cent less, in terms of gold value, than she bought in 1929. The reduction in volume was even less, because the prices were lower. And so with the other silver-using countries, the reduction was somewhere about twenty-five per cent on what they bought in the previous year. If therefore the whole of this reduction of the purchasing power of these countries was due to silver—it would mean for China, for example, a reduction of one-third of two and a half per cent, or less than one per cent of the world's trade. Even so, since a given factor tends to multiply its effects by its indirect repercussions, it could at least be reasonably argued that if the whole of that reduction in the imports in silver-using countries was due to the fall in silver, it would be at least a real factor in the world depression.

But what reason have we to think that? Well, there is one very simple test. If it were true that the cause of the diminution in the imports of China and other silver-using countries was the fall in silver, what should we find? Quite obviously this: When we look at the statistics of the whole of world trade for 1929 and 1930, we should find that the imports by China and by the silver-using countries had gone down very much more than the imports of the gold-using countries. We should find, secondly, that the imports of China, which depend upon the purchasing power of the Chinese, would have gone down much more than the exports of China, which depend upon the purchasing power of gold-using countries.

The statistics of the world trade suggest no such conclusion at all. I have before me a list of some twenty principal countries in the world with their international trade for 1929 and 1930, in the order of their reduction of imports during the depression. The silver-using countries are spread fairly evenly over that list. China for example reduced her purchases from abroad by a smaller proportion than the United States did. The reduction in America's purchases of foreign goods in 1930 as compared with 1929 was actually greater than the

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reduction in China's purchases of foreign goods in the same period.

My second criterion gives just the same results. Though China's imports in 1930 were twenty-seven and a half per cent less than in 1929, her exports had gone down by an even bigger proportion, by thirty-four per cent.

I do not intend to overstress this argument, nor do I suggest that silver has been no factor in the world depression at all. Indeed it is probable that the purchases by China, for example, of certain foreign products, have somewhat diminished as a result of the fall in silver, and that that fact has been to some extent masked by increases or smaller reductions in certain other products. But if silver is spoken of as being the principal or even a major factor in the world depression, surely the figures which I have quoted and which I would ask you to supplement by a study over a wider range, do prove an order of magnitude that is completely inconsistent with any such statement.

As this point is so important, I wish to add one further statistic. I have referred to world statistics. Let me take the statistics of this country. In 1930 America exported to the whole of the world about seventy-three and a half per cent of what she exported in 1929. In 1930, she exported to China also almost exactly seventy-three and a half per cent of her 1929 exports. When I used this argument last I was told that in 1930 the full effect of the fall of silver had not been shown, and if I would turn to 1931 I should find that silver having then fallen lower, there would be a different result. I did turn to the figures for 1931, and I found that the exports from the United States to China in the first three months of 1931 actually represented a larger proportion as compared with 1930 than United States exports to the world as a whole.

I do suggest that these figures—which would be confirmed and not corrected by a wider and more intensive study—do at least exclude the hypothesis that the fall in silver is a major cause of the world depression.

I come now to certain proposals for amelioration, and I will comment briefly upon each of the proposals that have attracted

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chief attention recently. In the first place, it is suggested that there should be a Silver Conference. It has usually been assumed that this should be a world governmental conference, in the sense that countries should be invited from all parts of the world, though not necessarily every country, and in the sense that the delegates should be official representatives of their governments. It is on that assumption that I make my comment.

I am the last person upon earth to be skeptical as to the value of world governmental conferences. For certain purposes and under certain conditions they are most valuable. They are indispensable for securing the coördinated governmental action which is vital to the world's prosperity. But I do think it is most important to realize what such conferences can do and what they cannot do. They can, and they alone can, secure governmental agreement and coördinated governmental action for a scheme which is technically good and which has been ascertained beforehand to be within the limits of practicable agreement. But they are not very good for discovering, particularly in a very technical and complicated matter, a new technical solution that has not been discovered before they met. And they are not very successful in getting a scheme adopted and applied in such a sphere unless there has been a very careful prior expert collective examination to see whether there is sufficient community of interest, to see whether the countries of whom a given scheme requires action have a sufficient interest to make it likely that they will agree to take that action.

I propose now to inquire whether these conditions do apply to the specific schemes that have been proposed. After all, a proposal for a world conference is not a proposal of a remedy; it is a proposal of a procedure. Whether it is good or not depends on what would be the practical schemes that would be considered by such a conference.

The first of these schemes, carefully prepared and widely published, contemplates an agreement, first, on the part of certain governments which have stocks of silver, to withhold the placing of those stocks of silver on the markets of the

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world; and, secondly, on the part of other countries which formerly used silver for their coinage, whether as a basis of their coinage or for token coins, to revert to their older practice. The level of silver aimed at is higher than the present price of silver; that is to say the scheme aims not only at stability but at an increase in the price of silver, and it apparently does not include any agreement on the part of the producers to limit or stop their production.

Well, now, what is the essential character of any such scheme? Since it aims at an increase in the price of silver and since the present price of silver has not completely stopped the production of silver even from the straight silver mines, the obvious effect of such a scheme, if it were put into operation, would be that the production would be greater than it would otherwise be and that there would therefore be more silver in the world than there would otherwise be.

Let us then imagine the advocate of such a scheme going to the different countries of whom action is required. He goes to countries which have substituted notes or nickel for silver. He says, "Will you use silver again?"

"Well", they say, "why? Nickel serves our purpose. Silver will cost us more."

If the advocate of the silver scheme could then say, "That is true, but you will be helping to remove this world depression", he might at least have an argument. But what I have already said shows how difficult in this case that argument would be.

He then goes to a Treasury which has a large stock of silver, silver which has been paid for at a heavy price, and which is needed for a definite purpose, that of securing the currency. If the advocate of the silver scheme is unwise, he will start on a note of moral indignation and say, "It is monstrous the way you have depressed the price of silver." If he does that, I suggest this kind of dialogue would take place:

The representative of the Treasury in question would say, "You tell me there is too much silver in the world. You tell me there is too much silver on the markets of the world."

"Yes."

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"You tell me that for this reason the silver that I have, which has already been mined and paid for and is wanted for a definite purpose, should for a specified period not be used for that purpose."

"Yes."

"And in the meantime silver mines will go on producing silver that has not yet been mined or paid for, that does not now exist for practical purposes."

"Yes."

"If there is a limited market for silver, which has naturally the prior claim, the silver that has already been mined and paid for or silver that still remains in the bowels of the earth?"

At that point I think perhaps the advocate of the silver scheme would drop moral blame and indignation and proceed to argue on the basis of interests. He would say, "If you do this, silver will go up and you will gain from an increased level in silver value."

I imagine the response would be, "Let me think—do I gain? I am asked for a period which may be specified in terms of dates or with reference to a given price of silver, to refrain from selling my silver?"

"Yes."

"And I am told that after that I shall gain from the fact that silver has been put up?"

"Yes."

"But at the moment when I regain my liberty, will there be more silver in the world or less, as a result of my having agreed to this? Obviously more, because the price will have been raised in the meantime, and there will have been more production.

"Will there be more demand for silver at that moment than there would otherwise be as a result of my agreeing? Not unless those other people have been induced to take silver instead of nickel, and the difficulty of expecting that result has already been described.

"What, therefore, is the natural result? That for some years silver will have a higher price, which will be no advantage to me because I cannot then sell my silver. And after-

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wards it will have a lower price as the result of my agreement, and that is when I shall have to sell my silver."

As I explained at the outset, I have no knowledge of what is the policy of such a Treasury but I have tried to put myself in the position of the advocate of such a scheme. I suggest he would have rather a difficult time. So much for that scheme, or any schemes of that character.

I now come to another: a silver loan to China. I have considerable difficulty in commenting upon this because I do not know quite what the proposal is. It seems to be a proposal by certain people that some other body, private or public, should make a loan on very special terms. I should like to know before commenting whether there is such a lender, what would be the terms, whether a silver loan means that silver would be lent and repaid in silver or whether it means that silver would be lent and repaid in gold. I should like to know what are the purposes and conditions of this loan, on what it would be expended, and how it would be utilized.

I will only make this query. If the proposal means that a large amount of silver which is not now being thrown upon the market, is not expected to be thrown upon the market, and is not therefore depressing the market, is handed over in order to be used to purchase, let us say, Canadian wheat or American wheat, what would happen? The wheat would have to be paid for in gold dollars and to obtain these the silver, now harmlessly in a reserve, would have to be sold. What would be the natural effect of the operation of such a scheme? Would it be to increase the level of silver or even to maintain the level of silver? So much for the second proposal.

I come to a third. It has been suggested that perhaps bimetallism might solve this problem. It is indeed true that if the world adopted bimetallism this would reinstate silver. But is it really reasonable that the world should consider changing the world currency system, not for the sake of improving that system, but in order to influence the price of silver? Let us keep a due sense of proportion. China is the only important country in the world which now has silver as the basis of its currency. All the other important countries

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of the world have gold as the basis of their currency. So to the world as a whole gold, not silver, is of vital importance. It may be that the world will desire to discuss and consider the working of the gold standard. But is it conceivable that the world will consider changing the world standard for the purpose of helping silver? I would go further—such merit as an argument for the bimetallist standard might have would surely be somewhat prejudiced if a proposal for bimetallism came from a conference or from a body of people who had avowedly and professedly met, not in order to improve the world's currency system, but in order to put up the value of silver.

Well, those are, as far as I know, the principal definite proposals with which any world conference would have to start if it met. I have suggested why I think very careful prior consideration is needed. I am extremely sorry to be critical, destructive, negative. For many years it has been my privilege to be in the service of the creative and constructive forces of the world. I hope I shall be again. But there are times when it is most important that such forces in the world as make for international collaboration and progress should not only move quickly but move in the right direction; and the best service which those who are concerned in the extension of international collaboration can render, on many occasions, is to try to prevent the forces, the necessarily limited forces available, from being diverted to directions in which an adequate and proportionate result would not be obtained.

In my concluding words let me just be a little less negative. It is true, of course, that if some countries in the world should decide to use silver again instead of paper notes, something would be done for silver, though I do not know what those interested in silver can do to induce them so to act. But there is another sphere in which possibly the silver interests might take an active and a real part. If the industrial uses of silver could be extended, either by a wider recognition of the present merits of silver for certain industrial purposes or by technical discoveries which would remove some of the present defects, such as a tendency to tarnishing, there

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would be a real, natural and permanent basis for an increased demand for silver. But above all the biggest thing that would affect silver is some recovery in world trade and world prosperity. Let us not put the cart before the horse. Let us think first and foremost of how to increase world prosperity.

Here at least is a subject which satisfies the first condition of effective international action, namely, it is a problem in which every country in the world is vitally interested. I am not suggesting that there should here and now be a world conference on the world depression. International collaboration on this subject means much. It means specialized work, it means organized work, it means coördinated work. A conference might be a stage in such work. But it would certainly not be the whole of it. Here we have a sphere in which undoubtedly much can be done and much should be done. By utilizing in the proper direction all the forces and all the interests concerned, we may possibly accelerate the end of this depression; we should certainly try to find methods by which future depressions may be prevented or mitigated.

I need not remind you how wide a problem that is. Any effort to solve it must be comprehensive and must include the most fundamental and the most radical of the causes. These range from gold at one end to the peace of the world at the other. They include some subjects which I am told it is an impropriety of speech even to name. But let me at least turn for one moment to one that I may name. One certainly among the causes of our trouble is the fact that not only have we not yet secured complete stability in the political relations of the world but that there is a tendency, particularly during this last year, grossly to exaggerate the extent of the difficulties that exist in the relationships of the world, and particularly between European countries. It is of course true that there are dangers, that forces are developing which in a future decade might lead to the danger of another great war, but to speak, as many people were inclined to speak during this last winter, and perhaps even more recently than last winter, as if there were an imminent danger of an immediate war, is, I suggest, a gross and a most mischievous exaggeration.

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I have tried to indicate that so far as there is a relation between the silver problem and the world depression, overwhelmingly the first cause is the world depression, and it is upon that in all its aspects and in due perspective that we should concentrate our attention. I say in due perspective and proportion because in the whole of this extraordinarily complicated and difficult problem, perspective and proportion are the first requisites.

A great general was once asked what was the secret of military science. He replied, "Proportion, proportion, proportion." I know nothing of military science. But I do most firmly believe that everyone who is concerned to find the causes, or to find the remedies, for the complex and difficult and intricate problems of world depressions, should say to himself as a morning and evening prayer, "Proportion, proportion, proportion." And I would recommend this prayer above all to those of my friends who are especially interested in the silver problem.

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NEW LIGHT ON THE PARIS PEACE CONFERENCE

From the Armistice to the Organization of the Peace Conference

THE statecraft of the authors of the Paris peace settlement is in these days subjected to a double scrutiny. Newly accessible documents are fixing individual and national responsibilities in the making of the treaties, while events are relentlessly exposing the transience or confirming the permanence of the various parts of the treaties themselves. The situation places upon historical scholarship a double responsibility: to make a timely contribution to an understanding of the texts which are today the fundamental public law of the world, and yet to avoid the danger of becoming engulfed in the polemics of treaty revision.

At the root of the question of the stability of the Paris settlement lies the historical problem of the original consensus out of which it arose. What parts of these treaties which are today the juridical basis of international relations represent a fair and free consensus of the parties which signed them? How were the innumerable variant interests brought to agreement upon a common text? What elements of consent, of compromise or coercion entered into the making of each detail of the settlement? By what difficult and treacherous courses did the negotiators move from agreement on general principles to the acceptance of concrete propositions?

Historical scholarship is far from being ready to answer these questions. The writing of the history of the Peace Conference is just entering the monographic stage. Only two Sections of the Treaty of Versailles—those relating to Slesvig [1] and to the Covenant [2]—have been favored with adequate monographic studies of their origin and drafting. Professor Shotwell has under way a similar study of the drafting of the

[1] André Tardieu and F. de Jessen, *Le Slesvig et la paix.* A Danish edition published by Slesvigsk Forlag (Copenhagen and Flensborg) prints in full some Danish texts of which the French edition prints summaries only.

[2] David Hunter Miller, *The Drafting of the Covenant.* 2 vols.

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Labor Section of the Treaty. Another line of investigation, also undeveloped, is suggested by the work of Professor Bernadotte Schmitt on the origins of the war. Here a great literature of research and controversy had narrowed down the historiographical problem of war origins to a few vital issues, upon which Professor Schmitt was able to take oral testimony from some of the surviving principals of the crisis of 1914. If full use is to be made of the possibility of taking testimony from living witnesses of the Paris Peace Conference, there must first be a combing out of the problem of the Peace Conference as a whole, and a formulating of its most important historiographical issues. It is here that the generosity of Mr. David Hunter Miller,[3] the enterprise of M. de Lapradelle of the Sorbonne,[4] and the careful stewardship of the Hoover War Library and the Yale University Library have their greatest immediate value. They do not provide at present a documentation adequate for the thorough monographic treatment of the different problems of the Peace Conference, but they do invite the drawing up of tentative conclusions which should lead to the production of more documents and to the taking of more testimony.

If the making of the peace settlement be studied without commitment to any doctrinal system and envisaged without

[3] David Hunter Miller, *My Diary at the Conference of Paris*, privately printed, 20 vols. with maps and index (cited as *Miller Diary*). For a review of the extent of present documentation on the Peace Conference see Robert C. Binkley, "Ten Years of Peace Conference History" in *Journal of Modern History*, vol. I, December, 1929, pp. 607-629. The Miller Diary was printed in an edition of forty copies, and is accessible in the following American institutions: Carnegie Endowment for International Peace, Department of State, Library of Congress, University of California, University of Chicago, Columbia University, Harvard University, University of Michigan, New York Public Library, University of North Carolina, Princeton University, Stanford University (Hoover War Library), Yale University. Three additional sets are available as loan copies in the Libraries of the University of California, University of Chicago and Columbia University, to be loaned to other universities.

[4] *Documentation internationale, Paix de Versailles*, 12 vols., of which five have been published, including the stenographic minutes of the Commission on International Ports, Waterways and Railways, and the minutes of the Commission on the Responsibilities of the Authors of the War and Sanctions.

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special interest in any cause, the historical problem takes form as a problem of procedure. In what sequence were the questions to be settled, among what parties, and upon what principles? These are the procedural questions of agenda, membership and principles of settlement, and the whole history of the Conference is included in them.

The example of the Armistice negotiations suggested that the approach to permanent peace should be accomplished in four steps. The Armistice conventions had ended the fighting and established general principles; a series of preliminary treaties could then settle concrete essentials, a general peace treaty could make the definitive settlement of details, and then an even more general agreement, including neutrals with the ex-belligerents, could specify the plan of a League of Nations to "organize the peace". This was the agenda which seemed natural in November, but it turned out that there were to be no preliminary peace treaties, no general treaty and no separate conference to organize the peace. Instead of this sequence there were five treaties, each definitive, and each including the Covenant of the League.

Among what parties were the negotiations to take place? At what stage were the smaller allies to enter effectively into the discussion of the settlement, and what was to be the form of the discussion with the enemy? The difference between a negotiated peace and a dictated peace was a procedural difference, defined by the amount of elasticity still remaining in the Conference decision at the time the enemy delegates entered the discussion.

Upon what principles was the settlement to be made? The pre-Armistice correspondence had created a contractual basis of peace in the body of Wilsonian texts which required to be elucidated and applied. The fact of the victory had brought into existence other contractual or quasi-contractual principles: the commitments of the Allies to each other through their secret treaties, and the commitments of the Allied statesmen to their peoples through their declarations of war aims. There was the possibility that an appeal might be made to the bare right of conquest. There was also the possibility that

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the peace terms might be drawn up and justified on the principle that the enemy was responsible for the war and must therefore suffer the consequences. These various principles of peace have been the subject of much polemic writing. It is fortunately unnecessary to discuss their relative ethical standing, for the essential significance of the Fourteen Points as a basis of peace was not their ethical quality but their contractual character. Because these principles had been agreed upon by victor and vanquished, every ostensible departure from them created an element of instability in the final peace. Therefore the historian is well advised to scrutinize the peace negotiations at every point to see how far they were controlled by conscious adherence to Wilsonian principles, and to discover at what points these principles were challenged, ignored or abandoned.

It has been a weakness in interpreting the history of the Peace Conference to assume that the opposition of one nation to another in the field of principles was clearly defined. The more the negotiations are studied in detail, the more it appears that each of the Great Powers came to Paris with a program of contradictions. American policy was at once most insistent upon international organization and most jealous of infringements on sovereignty; French policy was torn by two contrary loyalties, on the one hand to the principle of the right of self-determination, and on the other hand to a Rhineland security plan in conflict with that right; the British were interested in creating maximum stability in Europe, but were also committed to a reparations policy which could only mean the negation of stability; the Italians were involved both in a pro-Slav Mazzinist policy of national self-determination and an anti-Slav Treaty of London policy which violated the principle of nationality; the Japanese opposed in the Commission on International Labor legislation that principle of equality of treatment which they sponsored so dramatically in the Commission on the League of Nations.

The period in which the procedure of the Conference was in its most fluid state was of course the preparatory period, prior to the formal meetings of the delegates. Almost a

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third of the interval between the signing of the Armistice and the signing of the Peace of Versailles was occupied in these preparations. And yet the histories of the peace settlement have neglected it because of the lack of definite information. Till 1928 there were only two published documents to mark the evolution of plans for the Peace Conference during these ten weeks.[5] Then came the House Papers which served admirably to expand the history of the first three weeks following the Armistice, but failed in the time of the London Conference (December 2-3, 1918) when the Colonel lost touch with events because of his illness.[6] The Miller Diary now contributes a score of new texts on the evolution of Peace Conference plans. Most of these texts are illustrative of a French initiative, and present a French point of view. If other Powers were equally fertile in their preparatory labors, the documents at present available do not disclose their activities.

With every reservation as to the inadequacy of present documentation, the preparation of the Peace Conference can be described in three stages, each marked by the character of the issue under discussion. In November a series of French drafts were circulated which sought to supplant or supplement the Wilsonian principles of peace with other principles, and to bring all French war aims under a formula which the Conference could be persuaded to accept. It was at this time that the principle of war responsibility entered the dossier of the Peace Conference. In December, after the meeting of the London Conference, attention shifted to the question of the membership in the Peace Conference, and a drift toward the exclusion of the vanquished from effective participation in the settlement made itself felt. After Wilson's arrival in the middle of December the chief issue was the question of agenda, that is to say, the place that the organizing of the League of Nations would have in the sequence of subjects to be considered by the Conference.

[5] "French Plan of Procedure" in Baker, *Woodrow Wilson and the World Settlement,* vol. III, pp. 56-63. Tardieu published a part of his "Plan des premières conversations" in *La Paix,* pp. 98-100, English edition, *The Truth about the Treaty,* pp. 88-91.

[6] Charles Seymour, *The Intimate Papers of Colonel House,* vol. IV (cited as *House Papers*).

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The November Plan and the Question of the Principles of the Peace

The documentary record of the development of the plans for the Peace Conference begins with a French draft of November 15th, 1918 and ends with the Rules adopted by the first Plenary Session of the Conference, January 18th, 1919. The Rules were simply an amended fragment of the November draft. Three variants of this draft are accessible, the original of November 15th, a first revision of November 21st, and a version sent to Washington November 29th.[7] These drafts necessarily presented a point of view upon agenda and membership as well as upon the principles of the peace, but their most distinctive contribution to the preparation of the Conference was their formulation of principles.

As to the agenda, the November drafts presented the view that was held everywhere at the time. There would be a preliminary peace dictated by the Powers which had just dictated the Armistice. Clemenceau told House that this would take about three weeks' time. After making this preliminary treaty, the Powers would organize a Peace Congress to include all the lesser allies and the enemy states. The Peace Congress would first "settle the war" and then, expanded by the inclusion of neutrals, "organize the peace". Clemenceau thought the sessions of the Congress would last four months.[8] Germans and Allies were both thinking in

[7] Draft of November 15th in *Miller Diary,* vol. II, Document No. 5; revision of November 21st, *ibid.,* Document No. 4; revision of November 29th, in Baker, *op. cit.,* vol. III, pp. 56-63.

[8] Summarized from the November draft, *Miller Diary,* vol. II, Document No. 5. "Provision will have to be made for a first unofficial examination by the Great Powers (Gt. Britain, France, Italy, the United States) of the great questions to be discussed, examination which will lead to the preparation between them of the Preliminaries of Peace and the working mechanism of the Congress of Peace." p. 21. ". . . The Prime Ministers and the Ministers of Foreign Affairs of the Four Great Powers [shall] meet previously at Versailles to settle between them the affairs which the Congress shall have to deal with (that is to say, the Preliminaries of Peace) and the order in which they shall be discussed, as well as the conditions of the sittings of the Congress and its operation." p. 23. Clemenceau's estimates of the time required were made in a conversation with House, November 14th, *House Papers,* vol. IV, p. 213.

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terms of this procedure for quick preliminary peace. Colonel House thought that it could have been drafted at that time without difficulty.[9] The German Government asked five times during the first month of the Armistice that negotiations for the preliminaries be started. Said Erzberger to Foch on December 13th, "The only purpose of the armistice is to make a preliminary peace possible."[10] Thereupon Marshal Foch inserted a clause in the renewal convention extending the period of the Armistice "to the conclusion of a preliminary peace, provided the Allied Governments approve."[11] For the Marshal himself, as he has since testified, also favored the speedy conclusion of preliminaries. He thought prompt action necessary for the realization of French war aims on the Rhine. He complained that

> Those whose duty it was to draw up the Peace set to work with all imaginable slowness . . . the delay was to cost France dear. The questions of most import to us, reparations and security, became increasingly difficult to settle favorably.[12]

It is curious that each party should look back upon a reputed halcyon period in which the other would have made all the concessions, and that each should regard the failure to negotiate a quick peace as the loss of a golden opportunity. But the theory of an interallied honeymoon in November is not sustained by the records of the peace projects of that date. The French preparatory documents indicate a fundamental opposition to American policies on the one hand, and Italian on the other. The French case was developed in these November drafts chiefly in the discussion of principles.

[9] A memorandum printed in *House Papers*, vol. IV, pp. 202-203, describes the putative peace terms under this procedure: "As to the armies and navies of the Central Powers, the terms of the Armistice left little to add to the preliminary peace. A fixed sum should have been named for reparations, a just sum and one possible to pay. The boundaries might have been drawn with a broad sweep, with provision for later adjustments. A general but specific commitment regarding an association of nations for the maintenance of peace should then have been made; and then adjournment."

[10] *Deutsche Waffenstillstandskommission. Drucksache*, 1-12, p. 110.

[11] *Ibid.*, p. 113. (This approval was not given; the clause remained a dead letter till February.)

[12] Raymond Recouly, *Foch. My Conversations with the Marshal*, p. 161.

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The November draft was put together in six sections. The first two, "Precedents" and "Observations", were merely historical. The third, "Draft Rules", was the section which was later adopted, in a modified form, as the "Rules" of the Conference. The fourth section, on representation, made it clear that the enemy powers would come to the general Peace Congress. The fifth section, on "Directing Principles" attacked the Italian claims at the Conference by proposing the denunciation of secret treaties,[13] and recommending that "the right of peoples to decide their own destinies by free and secret vote" be adopted as a basis for territorial settlements. The sixth section, on "Bases of Negotiations" attacked the sufficiency of Wilsonian principles as a guide to the peace-makers, and suggested alternative principles and an alternative order of business. The language in this regard was explicit:

> Nor can the fourteen propositions of President Wilson be taken as a point of departure, for they are principles of public law by which the negotiations may be guided, but which have not the concrete character which is essential to attain the settlement of concrete provisions . . .
>
> The only basis actually existing is the solidary declaration of the Allies upon their war aims, formulated January 10, 1917, in reply to the request of President Wilson, but it is rather a program than a basis of negotiations.[14]

These "directing principles" and "bases of settlement" were not rigorously adhered to throughout the whole draft. Despite the objection to Wilson's principles, the items of business on the proposed agenda were tagged with numbers taken from the Fourteen Points; despite the attack upon the Treaty of London and the setting up of the principle of nationalities in its stead, there was a reservation that the rights of peoples to decide their own destinies might be modified in favor of

[13] The formula demands "the release from the treaties" by States which "from the fact of their admission to the Congress will renounce their use." As to Italy, "should she not adhere thereto, it is difficult to see how she could be admitted to the discussion; Italy . . . would be allowed to discuss the claims of others only if she should permit the discussion of her own claims." *Miller Diary*, vol. II, Documents Nos. 4, 5, pp. 14, 22-23.

[14] *Ibid.*, Documents Nos. 4, 13, 14, pp. 14, 81, 84, also vol. I, p. 9.

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"a certain homogeneousness of the states", and the three provinces of the London Treaty bargain, Tyrol, Istria and Dalmatia, were named as illustrations. The documents do not suggest an intent to thwart Italy and America at all costs. The French *arrière pensée* seems rather to have been the wish to shift the Peace Congress to principles which could be used to cover a strong Rhineland policy. France could afford to abandon secret treaties, for the only secret treaty that supported her claims on the Rhine was a dead letter as long as the Soviets ruled Russia; she was committed to opposition to Wilson's Fourteen Points because they halted her at the frontier of 1870.

Colonel House cabled a summary of this draft to Washington, and by a curious oversight omitted the essential paragraph which attacked the foundation of the American case.[15] It is doubtful whether he scrutinized documents or followed events with sufficient thoroughness to give him an understanding of the width of the gulf which separated French from American war aims at that time.

For the war aims of France were reaffirmed in November by bodies representing the overwhelming preponderance of French political power. The position of the military men and the extreme Right was stated by Foch in his memorandum of November 27th, which demanded the incorporation of the Rhineland populations in the French military system.[16] The position of the Left, and hence of the whole Chamber, was defined on November 24th in a meeting of the Executive Committee of the Radical Party. The party adopted as its peace program "the complete repayment of all the costs of the war," the annexation of the Saar, and the permanent policing of the Rhineland by an international force.[17] With the Radical Party occupying this ground, no possible majority of the Chamber could have been rallied to anything less, a fact attested in the vote of the Commission on Foreign Affairs on

[15] *Ibid.*

[16] *Ministère des Affaires Étrangères. Documents diplomatiques relatifs à la sécurité.* Jacques Bardoux wrote this note under Foch's dictation at Senlis, see Bardoux, *La Bataille diplomatique pour la paix française,* p. 55.

[17] *Bulletin du Parti Républicain Radical et Radical Socialiste,* Dec. 14, 1918.

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December 2d.[18] The views of the Foreign Office were expressed in a mysterious memorandum of which Paul Cambon claimed authorship, and which seems to have circulated in London in late November and early December.[19] This *Projet de préliminaires de Paix* added war costs to reparations, asked for strategic as well as economic annexations in the Saar region, and demanded "military neutralization, without political intervention" in the Rhineland. The war aims defined in these documents were those which the French Foreign Office formulated in the winter of 1916,[20] confirmed in the agreement with Russia in the spring of 1917, and defended against liberal revision in the dark winter of 1917.[21] They were the aims for which Clemenceau was to struggle in the March and April crises of the Peace Conference. How then could Colonel House have imagined that the French would abandon in the hour of victory what he had not persuaded them to relinquish in the time of defeat?

These were the war aims for which the original November draft made room when it proposed to set up the Allied Declaration of 1917 as a substitute for the Fourteen Points as a basis of negotiations.

In the six days following the first issue of its November

[18] Text of the vote in Barthou, *Le Traité de Paix*, p. 142. It calls for "total repayments of the costs of the war and integral reparation of the damages caused to persons as well as to things," "the return to France of her frontiers of 1814, including the entire basin of the Saar" and "a combination of military, political and economic guaranties on the territories of the Left Bank of the Rhine, such as to protect France definitely from invasion."

[19] A typewritten copy in the Hoover War Library is dated "November". Another copy, printed in *Miller Diary*, vol. II, Document No. 48, was given out by Paul Cambon at the London Embassy on December 7th. Although Cambon declared that it represented only his personal views, it was certainly approved by the Foreign Office.

[20] [Terrail] Mermeix, *Le Combat des trois*, p. 191, for an account of the formulation of French policy under pressure from Sir Edward Grey. The mission to Russia and the exchange of notes on the Rhine frontier resulted from a wish to pledge at least one of the Allies to the French aims before explaining them in London.

[21] *House Papers*, vol. III, pp. 280-281. Permission to publish minutes of the Interallied Conference on restatement of war aims has been refused by the French and British governments.

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draft, the French Foreign Office invented ten modifications which it incorporated in a second draft on November 21st. In this draft a cautious "perhaps" was inserted to qualify the suggestion that Tyrol and Dalmatia might be exempted from the purview of the principle of nationalities, and Istria was left out of the list entirely. The "rights of minorities" were mentioned. An extra "directing principle" was suggested: the intangibility of the pre-war territories of the victors. On questions of representation there was a softening of opposition to the representation of the British Dominions, and the list of enemy states to be included was qualified by the strange warning that

> It would not be permissible for the 25 States of the German Empire to avail themselves of the rupture of the federal bond to pretend to register each one vote in the deliberations and votes.[22]

The novel suggestion was made that Russian interests at the Congress be defended by an Inter-Allied Committee with Russian advisers. The distinction between the "settlement of the war" and the "organization of the peace" was accentuated by the provision that decisions in regard to the latter must be unanimous. Then came the master stroke: two new items were slipped into the agenda list:

> VI. Penalties to be visited upon the acts of violence and crime committed during the war, contrary to public law.
>
> VII. Stipulations of a moral nature (acknowledgment by Germany of the responsibility and premeditation of her rulers, which would place in the forefront the ideas of justice and of responsibility *and would legitimize the means of punishment and precaution against her*,—a solemn repudiation of the violation of the laws of nations and of the crimes against humanity).[23]

[22] *Miller Diary*, vol. II, Document No. 4.

[23] Italics mine. *Ibid.*, Documents Nos. 4, 13, 14. The cablegram to Washington in describing the innovations of this draft omitted reference to item VI, while citing the full text of item VII. The next revisions, handed to Lansing on November 29th, included both items. The omission caused a delay of five days in notifying Washington that the punishment of the war guilty was on the French program.

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The theory that German war guilt was to be accepted as a ruling principle in determining and justifying the peace settlement first entered the *dossier* of preparatory Peace Conference documents on November 21st, in this seventh item of the agenda. The records of the Conference, so far as they are accessible, indicate that this principle was silently admitted to parity with Wilsonian principles in the preparation of the treaty. The French did not succeed in denouncing the Secret Treaties nor in shelving the Fourteen Points in favor of the Allied Declaration of 1917, but they did succeed in setting up a penal along with a contractual basis of peace. The harsh language of the Peace Conference ultimatum to the Germans in June testifies to the success with which "ideas of justice and responsibility" were "placed in the forefront".

Ten years of wear and tear have proved that those elements of the settlement which were derived from this principle are the rotten wood of Europe's political structure.

On November 19th David Hunter Miller joined Colonel House as legal adviser. He saw at once the significance of the paragraph which attempted to shift the basis of peace from the Fourteen Points to the Allied Declaration of 1917, and met it with crushing firmness in a memorandum which was probably handed to the French:

> The statements of the French Note that the fourteen points of the President cannot be taken as a basis of negotiations and that the only bases are contained in the declaration of the Allied Powers of the tenth of January 1917, can in no event be supported. It is hardly necessary to point out that the declaration of January 10th 1917, which is mentioned in the French Note, has never been agreed to by the United States, [whereas the Fourteen Points have been agreed to by all powers, the U. S., the Allies, and Enemy.] [24]

The Second Revision of the November Draft

On November 29th a second revision of the November draft was handed to Lansing. In the new text the reservation against Wilson's principles was watered down, and no attempt

[24] *Ibid.*, Document No. 7, p. 35, Miller's memorandum of November 22d.

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was made to supplant them with the Allied Declaration of January, 1917.

> Neither the four armistices . . . nor the answer of January 10, 1917, nor the President's fourteen propositions, can furnish a concrete basis for the labors of the Congress. That basis can only be a methodical statement of the questions to be taken up.[25]

The "methodical statement" of a proposed agenda, which it was proposed to substitute for all other peace programs, was taken with slight modifications from the earlier November draft. It was neither more concrete in substance nor more methodical in arrangement than the Wilsonian series of points. It was a rough mixture of the Fourteen Points and the 1917 French war aims. Logical arrangement was sacrificed in order to effect this combination, as the following section illustrates:

2. *Territorial questions:* restitution of territories. Neutralization for protection purposes.
   a. Alsace Lorraine. (8th Wilson proposition)
   b. Belgium. (7th Wilson proposition)
   c. Italy. (9th Wilson proposition)
   d. Boundary lines. (France, Belgium, Serbia, Roumania, etc.)
   e. International regime of means of transportation, rivers, railways, canals, harbors.[26]

"Neutralization for protection purposes" was not a Wilsonian point; it came straight from the secret French war aims of 1917. The international régime of transportation was not in the pre-Armistice contract with Germany, nor was it even a territorial question. The illogical repetition of the question of Belgian frontiers after the Belgian question has been settled according to the "7th Wilson proposition", and the separation of the question of Alsace-Lorraine from the question of the boundaries of France when Alsace must inevitably be one of the boundaries, were evidently intended, not to make the agenda of the Conference more methodical, but to make it less Wilsonian.

[25] Baker, *loc. cit.*

[26] *Ibid.*, p. 60.

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Nine of the Fourteen Points were referred to explicitly in this "methodical statement" (1st, 2d, 3d, 4th, 5th, 7th, 8th, 9th, 12th). Three more were included implicitly. Of the items which lay outside the Wilsonian principles but were none the less introduced in this agenda, the following are the most important: neutralization (of Rhineland), "military guaranties on land and sea", control of raw materials, punishment of the war guilty, and recognition of German war responsibility. On the question of reparations this draft was still pretty close to the terms of the Lansing Note. Although the fatal word "indemnity" was used, the element of war costs seemed to be excluded by the statement that

> Outside of the torpedoing from which the British fleet mainly suffered, Belgium and France alone are entitled to indemnities on account of the systematic devastation suffered by them.[27]

The last section of the "methodical statement" designated the commissions and committees which were to distribute among themselves the work of the Congress. There would be commissions on Polish, Russian, Baltic, Central European, Eastern and Far Eastern affairs, and committees on Jewish affairs, international rivers and railways, international labor, patents and trade marks, punishment for war crimes and "public law (free determination of the people combined with the rights of ethnic and religious minorities)". This list of commissions did not agree with the list of agenda subjects. Poland and Labor were not mentioned in the agenda, although commissions were to be set up to study them. Subjects combined in the agenda were given to different commissions, and subjects separated in the agenda were assigned to the same commission. The more carefully the draft is scrutinized, the more unworkable it seems.

The anti-Italian tone of the original November draft was accentuated in this second revision. Again it was proposed that the secret treaties be abrogated. Colonies, it was stated, "essentially concern England and France" alone. The settlement of the Italian frontiers was turned over without reservation to Wilson's ninth point and the "right of self-determi-

[27] *Ibid.*, p. 62.

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nation of peoples". Italy's interest in reparations was passed over with the remark that only British, French and Belgian claims were to be noted, and that "states which have secured considerable territorial enlargement would have but a slight claim to indemnities". The proposed order of negotiating the treaties was a blow at Italian diplomacy. Italy wished to have the Austrian and German negotiations proceed simultaneously. But the French proposed in this draft that next after the German treaty, the Bulgarian question should be settled "to avoid the dangerous Bulgarian intrigues at home and abroad", and that the Austrian and Turkish treaties (which interested Italy) should be left to the last. There is evidence that the French sent a version of their November draft, containing these anti-Italian points, to the Italian Government. This rumored note on a "method of procedure" was reported to General Bliss through underground channels on December 12th, in the following terms:

> The principle of reparation and indemnity shall apply to France and Belgium alone. At the Peace Conference Germany shall be first dealt with. After the German question has been disposed of, the problem of the new states to be formed out of Austria Hungary shall be considered. The London Agreement will be denounced by the French Government.
>
> It is believed that the British Government is already in agreement with the French Government with regard to the above points. There is also reason to think that France and Great Britain have reached an agreement regarding the partition of Africa and with reference to all Asiatic questions.
>
> The Italians, I am told, feel that Italy is being excluded from the fulfilment of any colonial aspirations and from the reception of indemnity. The attitude of the Italian Government toward the French proposition is said be uncompromisingly negative.[28]

Whether or not this report was accurate in its details, it confirms the evidence of other documents in this important respect: the November notes on procedure must be interpreted as serious efforts made by the French Foreign Office to secure the consent of other Powers to the peace program of France.

[28] *Miller Diary*, vol. II, Documents Nos. 60-61, pp. 260-261.

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The London Conference and the Question of Membership

We lack the documents which would make possible a study of the state of British and Italian war aims at this time. The New York Public Library possesses a photostat copy of an important British paper on Peace Conference policy, but donor's restrictions forbid its use at present. The Italian Cabinet was evidently divided, until the resignation of Bissolati on December 28th, on the question of renouncing the Treaty of London, as the French proposed. The most significant indication of the post-Armistice development of the policies of the Allies, and especially of Britain, is the achievement of the London Conference.

About November 15th Lloyd George had written Clemenceau, " I would suggest to you that we draw up some preparatory memoranda either in London or Paris ".[29] By November 25th this suggestion had ripened into an invitation to London to attend a Conference which was to be preliminary to the preliminary Conference, preparatory to the preparatory work.[30] On December 2d and 3d this Conference met. It made only two decisions touching the content of the future treaty: 1st, that war costs must be added to the German reparations bill, and 2d, that the Kaiser must be tried for his crimes. Events were to show the childish futility of both these solemn resolutions, which were, moreover, completely outside the scope of the pre-Armistice agreement and the Fourteen Points.[31]

The London Conference marked the beginning of a new epoch in the preparation of the peace settlement, not because of the resolutions on indemnities and punishments, but in consequence of a resolution permitting the lesser powers to participate in the preparation of the preliminary peace. The November draft in all its forms had specified that the Great Powers alone would dictate the preliminary peace. Two forces undermined this proposal: the pressure of the smaller powers, and the legalistic criticisms of the Americans. David Hunter Miller's memorandum on the November draft stated:

[29] *House Papers*, vol. IV, p. 206.

[30] *Ibid.*, p. 241.

[31] *Ibid.*, pp. 247-8.

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> It is an essential part of the American program that there shall be open discussion at the Peace Congress between the representatives of the Central Powers and those opposed to them, of the conditions of peace, and it is an essential prerequisite of that open discussion that a complete agreement as to peace terms should be reached among the powers opposed to the Central Powers.[32]

The doors of the preliminary peace conference were thus to be opened to all the victor states. From the legal standpoint it was a generous proposal. It seemed to recommend a curbing of the dictatorship of the Great Powers. But from the practical political standpoint it meant the exclusion of the defeated powers from effective participation in the settlement. According to Miller, the Four Powers would still hold their "informal Conference", as indeed they did in January, but instead of emerging from that consultation with a preliminary peace treaty and an invitation to the Germans, they would emerge with nothing more than a preliminary peace conference and an invitation to the lesser Allies. While the American representatives were sensitive to the legal aspects of the case, the British Government responded to practical political considerations when, on November 30th, it notified the Polish National Committee that "Poland should be represented at the *Conference of the Allied Powers* during discussions relating to Poland.[33] The principle which Miller had expounded, and which had been more concretely illustrated in the British note to the Poles, was formally adopted at the London Conference in the following text:

> . . . Before the preliminaries of peace shall be signed an Interallied Conference shall be held in Paris or Versailles, the date thereof to be set after the arrival of the President. France, Great Britain, Italy, Japan and the United States should each be represented by five delegates. British Colonial representatives to attend as additional members when questions directly affecting them are considered. Smaller Allied Powers not to be represented except when questions concerning them

[32] *Miller Diary*, vol. II, Document No. 7, p. 32—Finished November 22.

[33] Filasiewicz, *La Question polonaise pendant la guerre mondiale*, p. 584. [Italics mine.]

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are discussed. Nations attaining their independence since the war to be heard by the Interallied Conference.[34]

The decision to include the lesser Allies in the Interallied Conference naturally caused attention to shift from the content of the forthcoming peace to the make-up of the forthcoming conference. The Foreign Offices followed up the decision of the London Conference with an attempt to formulate principles of representation. On December 11th the British asked the French for their views, and on December 13th Pichon replied with a very simple scheme. The Great Allies could send five delegates, the lesser allies three, new states two, the states in formation one, and neutrals one. "Regarding the admission of delegates from the enemy countries . . . this question is not presented." [35]

These categories of states were copied from the November draft, with one modification.[36] They seemed to be clear and simple, but were actually very difficult to apply under the political conditions of December, 1918. To the confusion resulting from the disintegration of states there were added anomalies resulting from the Armistice. With the antipathies created by the war against Germany there were combined hatreds aroused by the crusade against Bolshevism. In Eastern Europe there was fighting everywhere, but juridically no war; along the Rhine and Danube there was a juridical state of war, but actually no fighting. The Austrians and Hungarians claimed that their revolutions had rendered them neutrals and taken them out of the war without a treaty of peace; the Poles and Czechs held that their revolutions had made them belligerents without a declaration of war. The Serbian Government denied its own existence and claimed recognition as the Government of Yugoslavia, an ally. The Italian Government denied the existence of Yugoslavia, and

[34] *House Papers,* vol. IV, pp. 247-248.

[35] *Miller Diary,* vol. II, Document 69, p. 296.

[36] The November draft distinguished between actual and theoretical belligerents in order to cut down the representation of Latin American States. Miller protested against the distinction in his memorandum of November 22 (*Miller Diary,* vol. II, Document No. 7); Pichon omitted it in his note of December, but Tardieu restored the distinction in his draft of January 8th.

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regarded the Yugoslavs as an enemy people. Clemenceau said he did not know whether Luxemburg was a neutral or enemy state, while Miller listed her among the Allies.[37] Foch was at a loss to decide whether the Ukraine was an enemy or an Ally, although she was juridically neutral, and actually an enemy at Lemberg, an Ally at Odessa.[38]

In the final decision thirty-two states or dominions were voted in as members of the Interallied Conference. Of these, only fourteen were of unquestioned status as Allies.[39] The eligibility of eighteen of them had been challenged in one way or another during the preparatory negotiations,[40] and eleven states which in the end were left out of the Conference had been nominated at one time or another for admission.[41] The cases of doubtful status in Allied circles outnumbered the cases of certain status by more than two to one.

The settlement of these knotty problems of Conference membership prejudged many points in the treaty itself. The

[37] Minutes of Council of Ten, March 5 (B. C. 44), in *Miller Diary,* vol. XV, p. 149; *ibid.,* vol. III, Document No. 79, p. 315.

[38] Minutes of Council of Ten, March 19 (B. C. 53), in *Miller Diary,* vol. XV, p. 418.

[39] These were United States, Great Britain, France, Italy, Japan, Belgium, Brazil, Greece, China, Portugal, Liberia, Poland, Czechoslovakia.

[40] The status of the following states was challenged: Serbia (should be merged in Yugoslavia, *Miller Diary,* vol. II, Document No. 79); Hedjaz (opposed by France, Leon Krajewski: "La création du Royaume du Hedjaz" in *Revue Politique et Parlementaire,* 127, 1926, pp. 441-459); Siam (omitted by French in November draft); Bolivia, Ecuador, Peru, Uruguay (states which had broken relations with Germany, but were regarded as neutrals in November draft); Cuba, Panama, Guatemala, Nicaragua, Haiti, Honduras (November draft suggests that the United States represent these "to avoid crowding"); Canada, Australia, New Zealand, South Africa, India (admission opposed in November draft "for why should not a similar claim be presented by each of the different States composing the Federation of the United States").

[41] The following were proposed for admission, but not admitted: Costa Rica (a belligerent, included in Tardieu draft, left out because the United States had not recognized its Government: *Miller Diary,* vol. III, Document No. 159); Montenegro (November draft); Santo Domingo, Salvador, Yugoslavia, Egypt, Luxemburg, Persia, Finland (*ibid.,* vol. II, Document No. 79, Miller's comment on Pichon note of December 13th); Albania (*ibid.,* vol. III, Document No. 106); Russia (*ibid.,* vol. II, Document No. 4, first revision of November draft).

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decision of the colonial question was anticipated when the British Dominions[42] and the Hedjaz[43] were admitted to the Conference membership, and Japan included with the Great Powers.[44] The Eastern question, from Constantinople to Finland, revolved around the representation of Russia,[45] as the Adriatic question turned on the recognition of Yugoslavia and Montenegro.[46] The whole tone of the final treaty was necessarily dependent upon the degree of collaboration with the enemy powers which the Conference organization would permit.

The Agenda: League and Treaty

When Wilson arrived in the middle of December the discussion of principles of settlement had subsided and the question of membership in the Conference was uppermost. He

[42] Conceded January 13th, Minutes of Council of Ten in Hoover War Library.

[43] Allowed January 17th, when Balfour observed, semi-ironically, that the name had been omitted by oversight.

[44] Japan was not represented at the first meeting of the Supreme Council, January 12th; when her delegates appeared on January 13th they brought the number of members up to ten.

[45] Two rival plans for dealing with Russia defined themselves early in December. The British wanted a round table conference in Paris—a scheme not unlike the plan of the November draft for representation by an Inter-Allied Committee with Russian counsellors. (A. L. P. Dennis, *The Foreign Policies of Soviet Russia*, pp. 69-70, dates the British suggestion and its rejection in early December.) On December 13th Clemenceau telegraphed that the "Inter-allied plan of action" was to "interdict to the Bolsheviks access to the Ukraine regions, the Caucasus and Western Siberia". (Pichon's statement in Chamber of Deputies, Dec. 29, 1918, in C. K. Cumming and Walter W. Pettit, *Russian American Relations*, p. 273.) On December 21st Clemenceau confirmed his definition of the *cordon sanitaire*. This issue was decided January 21st in favor of conference with the Russians. (Minutes of the Council of Ten in U. S. Senate Document 106, 1919. *Treaty of Peace with Germany. Hearings*, pp. 1240-44.)

[46] On December 7th Orlando "with tears in his eyes" pledged Clemenceau to refuse recognition to Yugoslavia. (Wickham Steed, *Through Thirty Years*, vol. II, pp. 262-263.) Yugoslavia, therefore, was not put among the Allies in the Tardieu Draft which was the basis of discussion by the Council of Ten. The Montenegrin question was still open when the first plenary session met; on January 21st the Council of Ten authorized the King of Montenegro to telegraph his people that they would be given an opportunity to choose their form of Government. (Minutes of Council of Ten in Hoover War Library.)

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at once raised a new issue: the agenda. The November draft in all its forms had taken for granted the division of the agenda into two principal parts: first, the settlement of the war and second, the organization of the peace. Manley O. Hudson, who was on Miller's staff, pressed the criticism that

> . . . a separate and consecutive consideration of what the French have called, (a) The Settlement of the War, and (b) The Elaboration of the League of Nations would unduly segregate the tasks of the Congress.[47]

But Miller did not incorporate this criticism in his final memorandum of November 22d. It does not appear that House objected to the plan of postponing the consideration of the League till after the peace settlement had been made, although he discussed with Wickham Steed a scheme for giving the League early consideration.[48] It was not apparent, for the moment, that an attempt to telescope the League of Nations with the preliminary peace would be likely to eliminate the preliminary peace entirely.

When Wilson appeared on the scene he told House, in their first interview, that he intended "making the League of Nations the center of the whole program and letting everything revolve around that."[49] The logic of the position was that if the League should be evolved first, not only would its acceptance be assured, but it would strike the keynote of the whole conference and affect the decision of all other points in the treaty. Its protection could be offered as a substitute for strategic frontiers.

Clemenceau and Lodge were both opposed to this inversion of the agenda as it had been envisaged in November. On December 21st Senator Lodge insisted in a speech to the Senate that the League must come after the treaty, and that the first thing must be "physical guaranties" to "hem in Germany", and climaxed his argument with a denunciation

[47] *Miller Diary,* vol. II, Document No. 6, p. 26. Hudson's preliminary memorandum on the French plan, November 21st.

[48] Henry Wickham Steed, *Through Thirty Years,* vol. II, p. 264.

[49] *House Papers,* vol. IV, pp. 251-252. The conversation took place December 14th.

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of any "attempt to attach the provisions of an effective League of Nations to the Treaty of Peace". Clemenceau explained his thought to the Chamber on December 29th, asserting that he adhered to the "old system" by which countries "saw that they had good frontiers". Henry White replied to Lodge immediately in a private letter: "Unless whatever League of Nations is to be formed should be one of the first subjects considered at the Peace Conference, it will never be founded at all." [50] Wilson answered Clemenceau publicly within twenty-four hours in his Manchester speech, in which he gave warning that the price of American coöperation in peace was a general League of Nations. On January 8th André Tardieu, in the final draft of the French proposal for procedure, placed the territorial settlement with Germany first on the agenda, and stole Wilson's argument by claiming that "this is the essential problem dominating all others, and its solution will react upon the entire rulings of the treaty." [51] Thus the great question of principle emerged again in January in the guise of a problem of agenda.

The Tardieu draft of January 8th, entitled *Plan des Premiers Conversations,* was the last of the long line of French preparatory documents, and the first paper to be set before the Peace Conference. That part of it which related to the rules of the Conference was copied from the November draft, and those provisions which had to do with representation followed the principles laid down on December 13th in Pichon's note. The agenda list was the vehicle of its special political purpose. Its author had evidently studied the November drafts and the criticisms that had been made of them, and had taken into account the demand made by Wilson for early consideration of the League of Nations, and had then come forward with proposals to meet the American and Italian positions half-way.

[50] Allan Nevins, *Henry White. Thirty Years of American Diplomacy,* p. 362.

[51] Tardieu, *loc. cit.* This document is not accessible in complete form, but must be reconstructed from the fragment published by Tardieu and the criticisms upon the whole draft in *Miller Diary,* vol. III, Document No. 159 *et seq.,* as well as from the minutes of the first meetings of the Council of Ten which are in the Hoover War Library.

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The Tardieu draft dropped the proposal to abrogate the Treaty of London, but retained the principle of the "right of nations to self-determination". It dropped the suggestion that the Austrian treaty should wait till after peace was made with Bulgaria, but did not concede that it could be drafted simultaneously with the German. It gave up the attempt to prove that the Fourteen Points were unsuited to serve as a basis of the settlement, but still introduced certain non-Wilsonian principles on a parity with the Fourteen Points. To the "Statutes of the League of Nations" it allowed a certain precedence, but only as a "directing principle", along with nine other directing principles, some of which were non-Wilsonian. Following the adoption of these principles, there would ensue the detailed territorial and economic settlement, beginning with the frontiers of Germany. Finally, the war being ended and the "principal foundations" of the League of Nations having been laid,

> it will remain to
>
> a. Provide for the League's maintenance.
> b. Codify such measures resulting from the guiding principles stated in the first paragraph, which may not have been covered in the treaty clauses.

Under the Tardieu plan, the drafting of the Covenant would still have been postponed to the last. The concessions to Wilson's demands were more apparent than real.

The key to the Tardieu draft is the list of guiding principles. The list starts out boldly with the first four of the Fourteen Points in their Wilsonian order:

1. Open diplomacy.
2. Freedom of the seas.
3. International economic relations.
4. Guaranties against the return of militarism and limitation of armament.

Tardieu's fourth principle included more than Wilson's fourth point. Wilson had spoken of "guarantees given and taken that national armaments will be reduced to the lowest point

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consistent with domestic safety." Tardieu stretched this till it called up the picture of an interallied army on the Rhine. The next five principles were taken intact from various parts of the earlier French drafts.

5. Responsibility of the authors of the war.
6. Restitutions and reparations.
7. Solemn repudiation of all violations of international law and the principles of humanity.
8. Right of peoples to self determination, combined with the right of minorities.
9. International arbitral organization.

Then follows the fourteenth Wilson point:

10. Statutes of a League of Nations.

And then a final word from the Quai d'Orsay:

11. Guaranties and sanctions.[52]

Of the eleven guiding principles, only five came from the Fourteen Points.

Tardieu complains in his book that the Council failed to adopt his agenda because of the "instinctive repugnance of the Anglo-Saxons for the systematized constructions of the Latin mind."[53] Actually his plan was neither comprehensive nor clear. He omitted colonial and labor questions entirely, did not mention Belgium, put Yugoslavia under rubric 2-b and left Serbia to be considered under rubric 4, listed military clauses in several places by implication, but nowhere directly, and deliberately obscured the question then at issue of the relation of the League to the Treaty. Half of his space was devoted to the listing of categories of principles, although, according to the American view, the principles were already defined and only their application was at stake. Under "territorial problems" he included as a fourth item this conglomeration of subjects, which he ingeniously concluded with an "etcetera".

[52] This eleventh directing principle is omitted in the English edition of Tardieu (p. 88) but published in the French edition (p. 98).

[53] Tardieu, *op. cit.* (English edition), p. 91.

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d. The right to guaranties against an offensive return of militarism, adjustment of frontiers, military neutralization of certain zones, internationalization of certain means of communication, liberty of the seas, etc. . . .

Tardieu's draft agenda was "systematic" only as an attempt to bring the French claims under principles which the Conference would accept.

On January 12th the Tardieu draft was presented to the meeting of the delegates of the Great Powers which later became the Council of Ten. From that day to January 18th, when the Conference was organized, the part of the draft which related to agenda came twice under discussion.

On January 13th Pichon "explained that the messages and notes of President Wilson had been taken as the basis for the order of debates in Section II" [54] (evidently the section on principles in the Tardieu draft). But President Wilson brushed aside the appeal and introduced his own agenda list: (1) League of Nations, (2) reparations, (3) new states, (4) territorial boundaries, (5) colonial possessions.

After having offered this formal substitute for the order of business of the Tardieu draft, Wilson added that he hoped that those present would not agree upon any fixed order of discussion. For instance, he believed it more important at the moment that those present should consider the whole question of the treatment of Russia rather than the publicity of treaties. It was a point well scored against Tardieu's agenda, which had placed "open diplomacy" first, in superficial deference to the order of the Fourteen Points, and left the Russians to the very last.

On January 17th the question of agenda came up again, this time in connection with the program for the first Plenary Session. Pichon started off with Wilson's list of topics, and then read the last part of the Tardieu draft. The discussion showed that the Council was no longer interested in the agenda solely as a matter governing the principles and content of the peace treaty; it was concerned also with satisfying public

[54] Minutes of the Council of Ten, January 13 (B. C. 1), in the Hoover War Library, and Tardieu, *op. cit.*

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opinion and keeping control of the Conference organization.[55] Lloyd George then happily hit upon three innocuous topics which would please the public without causing contention among the Allies:—the punishment of the war guilty, the responsibility of the authors of the war, and international labor legislation. As the discussion ended, "M. Clemenceau explained that he would invite all the delegations to submit views on all the questions mentioned in section III of the French plan of procedure, and they would then be passed on by the Secretariat for the information of the Great Powers."[56] Thus, contrary to Tardieu's assertion,[57] his agenda was adopted, but under conditions of Conference organization that deprived it of importance.

In the first Plenary Session of the Conference on January 18th the delegates were asked to prepare memoranda on war responsibility, and were informed that the question of the League of Nations was to be first on the agenda of the next meeting. Thus it appeared that the French had made good their innovation of November 21st, and Wilson had secured the adoption of the principle he confided to House on December 14th. In the meantime what had become of that fundamental order of business upon which there was such pleasant unanimity in November—the idea of the preliminary peace? The first article of the Rules adopted by the Conference indicated that the unanimity still prevailed:

> The Conference, summoned with a view to lay down the conditions of Peace, in the first place by peace preliminaries, and later by a definitive treaty of peace, shall include the representatives of the Allied and Associated Powers.[58]

[55] Minutes of the Council of Ten, January 17th (B. C. 4). When Pichon read Wilson's list of five topics, proposed them "as the basis for the program of the work of the Conference," and declared he would "ask each delegation to submit their recommendations" regarding these subjects, Wilson objected that he had intended his list for the Council rather than the whole Conference. "Mr. Balfour thought that if this list were submitted to the full conference, many a burning question would immediately arise." Then, after a discussion of the use of committees in the Conference, Lloyd George made his suggestions and Pichon read from the Tardieu draft.

[56] *Ibid.*

[57] Tardieu, *loc. cit.*

[58] *Miller Diary,* vol. III, Document No. 199, p. 410.

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But when the League of Nations question was presented, as had been promised, to the second Plenary Session on January 25th the Conference voted that "The League should be created as an integral part of the General Treaty of Peace".[59] No one noticed that whereas the Rules of the Conference stated that there would be two treaties, the vote on the League of Nations implied that there would be only one.

What progress had been made toward a peace treaty in the ten weeks elapsed since the Armistice? The broad lines of the territorial settlement of Central Europe had been laid down, not by any decision taken in Paris, but by the action of peoples and armies over which Paris could exercise only the most remote and tenuous control. The German Government had clarified its foreign policy: it would stand squarely on the contractual basis of the Fourteen Points. The French attempt overtly to sidetrack this basis of peace had been given up. But two movements hostile to the carrying out of the contractual terms had defined themselves: the French suggestion that war responsibility be examined as a principle of the peace settlement had been adopted by the Conference, and the British general election, by its character and result, had committed the British delegation to two policies which could not be reconciled with the contractual basis of peace—the punishment of the war guilty and the levying of a war indemnity on Germany. Wilson had made himself the sponsor of a special order of business which was only indirectly related to the contractual basis of peace, and upon this issue—the combination of League and Treaty—the American opposition to Wilson had defined its stand. Upon this point the decisions of the Peace Conference included contrary theses in a self-contradictory formula of agreement. At this moment the problems of principles, membership and order of business ceased to be the vehicle of peace conference politics, and attention turned to the setting up of the conference organization.

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[59] David Hunter Miller, *The Drafting of the Covenant*, vol. I, p. 230.

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THE PLANNED ECONOMY OF SOVIET RUSSIA

I. Introductory

THE essential purpose of the Soviet Union is to establish and maintain a classless society in which there is collective ownership of the means of production. The realization of this purpose is not dependent upon the success or failure of the Five Year Plan, although it is that feature of Russian life which is having the most marked influence on the thought of the western world.

As long as the U. S. S. R. was dominated by the revolutionary transference of power from a propertied minority to the proletarian masses, the leadership of capitalistic countries was unmoved except by more or less hostile contempt. This first destructive phase of the revolution soon died away with fainter and fainter echoes. But sound travels slowly; and long after the reconstruction period set in, we continued to think of the Russian revolution in terms either of its destructive phases or of the compromise with private enterprise that was implied in the New Economic Policy of 1921. Only recently have we learned with something of a shock of the progressive development of a communistic economy. The American business man is now coming to have a real intellectual interest in the way in which this economy is organized. It is not inappropriate therefore at this time to develop a picture of Russian economy—the first example of a modern economic system founded and managed upon the principle of conscious planning.

The writers of this article spent the summer of 1930 in European Soviet Russia as members of a party of economists. During this visit it was borne in upon us more and more forcefully that a precise measure of achievements in recent years in the U. S. S. R. is only of superficial interest. New factories and hydroelectric developments, tractors and combines in Russia have a symbolic value as evidence of the progress which has been made and which probably will continue to be made

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in the Soviet Union. This progress has been great enough to furnish a substantial material base for the continuation of the existing society. Over and above this it must be realized that the proletarian revolution has an inner stability that is a source of security. Neither of us is able to visualize forces in the Russia which we saw great enough to lead to new revolution, certainly none which could be set in motion by failure to achieve certain economic objectives within a specified period of time. It was our conclusion that from the point of view of the western world it is almost irrelevant whether the Five Year Plan is completed in four years or in eight. What is of immense importance to the western world is to discover what particular practices in this new type of economy can be transplanted from a communistic society to the society which is to develop in the future from western capitalism. One who has been trained in economic history realizes that any existing set of institutions is subject to change. It is probable that in the experimental evolution of the life of a nation of 160,000,000 people practices useful to the rest of the world are likely to develop.

In our studies of what has been done and what is being done in Russia, we found ourselves hampered by habits of thought that would characterize any economist trained in America. We found that to discover points of strength and weakness in the Soviet system from which to formulate judgments of future progress, we needed to know much more of the theory and mechanics of Russian practice than earlier observers had recorded. More particularly we needed to untangle the interrelationships of the maze of Soviet economic institutions, if we were to discover in that economy the elements of real significance to western countries. As a first step we have attempted in this article to sketch an outline of Soviet economics. This is merely a cartoon of the larger study which must be undertaken later.

When an American thinks of an economic plan he may visualize a schedule of production for steel mills and textile mills, of imports and exports, of transportation and communication: in a word, of all gainful activities. He is apt to think

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of plans for a particular enterprise or a particular industry; plans by which its internal efficiency can be increased, its wastes and frictions reduced, and its adjustments to the market made more flexible and more exact. This market, however, is itself not planned. The American conception of planning has not embraced a synthesis of many such plans of individual enterprises and industries. It does not come to a national focus. Planning in America suggests often restriction of production rather than expansion. It suggests the creation of monopolies, the maneuvering of large interests for position in a basically planless economy. It has as its objects the conservation and enlargement of profits, not primarily the satisfaction of the needs of the population in the order of their urgency.

In all of these respects Russian economic planning is quite different. It is national in scope, and embraces production, consumption and distribution. Yet it is not all-inclusive. The control program does not cover in detail the entire economy. In the U. S. S. R. there is still a substantial natural economy in which individual households apply the product of their labor to the direct satisfaction of their needs. Indeed this has always been, and even now still is the dominant form of agricultural and therefore of Russian organization. Except in so far as this life impinges through exchange on the rest of the economy or has had to be reorganized to permit the execution of other parts of the plan, it falls outside the scope of planning. This exception, however, is a major one, for the individual peasant economy is in full retreat before the planned agricultural economy of the collective farm, and even the magnitude and the speed of this retreat is planned.

The theory and practice of Russian communism have never precluded the existence of the independent producer applying his own labor to his own tools to obtain a product which he sells directly to a consumer. It is only the middleman and the employer of labor who are regarded as "exploiters". The handicraft or *kustarni* industry is a significant aggregate that must be taken into account in Russian planning. Indeed, underestimation of its importance by both pre-revolutionary

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and Soviet economists accounts for some of the unexpected failures of planned production to meet the need for certain goods. But it is not an integral part of Soviet planning, and its importance lies in the past rather than in the future.

If in these respects the plan does not cover the whole of the economic life of the U. S. S. R., it does cover in detail large fields that are not included in the broadest American concept of planned economic enterprise. State finances, and with them the educational program, are planned as much as coal production or hydroelectric development. Improvement in the cultural level of the people, more especially the elimination of illiteracy, is part of the economic plan, not only because human effort is involved in effecting the change, but also because the end product of the campaign is essential to economic development. Furthermore, education and such things as art, music, social life and amusements are planned for a deeper reason.[1] They are part of a standard of life at which the proletarian dictatorship aims. There is a fundamental interest in the people themselves that must be considered at every turn.

II. The General Characteristics of Russian Planning

Planning on this scale embraces a field vaster than the knowledge of any one man or any committee of men. How then can such a plan be formulated? And even if it can be formulated, how can it be brought out in time to be relevant to the going life of the nation? We find in the United States that it is a terrific task to publish a census within two years of

[1] There can be no doubt whatsoever that Russian thought places great emphasis on the cultural level as an end in itself. Evidence abounds in the opera, in the throngs in museums and in the recreational facilities furnished. Grinko's book on *The Five Year Plan* raises doubts in our minds as to where the emphasis of the planning authorities lies. He devotes a long chapter to the cultural level and the supply of skilled labor. Unfortunately for the more idealistic point of view, the overwhelming emphasis is on the need for and the means of securing a skilled labor supply. We were informed by a Russian critic that there is no doubt that Grinko and every other Russian in authority accepts fully the desirability of a richer cultural life for the masses. He did not emphasize it because "it was not the subject in hand". We do not doubt the aim nor the sincerity with which it is held. The point is that "the subject in hand" for all Russians, but more especially for those directing economic life, is a rapid material advance.

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the date described. The Russians cannot start years in advance to collect data upon which to base their plans, for, by the time these data are incorporated in a plan, they will be out of date. The plan must be available in December for the operations of the fiscal year beginning in January. How can it be done?

There are two answers. One is that in the fullness of its detail the Russian economic plan is not the work of any one man or committee of men. It is the work of tens of thousands, probably of hundreds of thousands of men. Its general outlines, its most important individual provisions, and the arbitration of conflicts which have arisen in its making—only these are decided by a small group of men, the ultimate authority in a hierarchy of planning bodies which reaches down to the workers' committees in the shops. In the second place the plan is progressive. It is not rigid. It is not an entirely new creation brought into existence at the beginning of each planning period. A process of continuous adaptation and change saves it from being a deadening strait-jacket imposed upon Russian life.

The Coördination and Decentralization of Russian Planning

Before any plan can be formulated, the general course of economic development must be determined. This decision is one of policy. In the U. S. S. R. it is made by the highest political authority, the Party working through the executive agencies of the All-Union Congress of Soviets. No plan can be formulated before it is decided whether the immediate aim is rapid industrialization or the highest standard of life possible at the moment.[1]

[1] Too much emphasis cannot be laid upon the necessity of an underlying philosophy or at least of certain consistent general objectives. Since this article was written, discussion of planning in America has advanced so far that it is well within the range of possibility that the winter of 1932 will witness the inauguration on a limited scale of planning at least for certain industries. Many broad-minded but conservative business leaders are thinking seriously that some of the elements of a planned economy may be adopted in this country. In the discussions which we have heard, however, there is an inadequate appreciation of the need of objectives and, more especially, of the mutually exclusive nature of certain desirable objectives. Professor Hinrichs has developed this point at greater length in the *Atlantic Monthly*, July, 1931.

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Given such general decisions as to policy, planning bodies may start to operate. It is possible to visualize the essential features of Russian planning if one conceives of a centralized planning authority, many separate producing and consuming units, and a number of intermediate bodies. The work of the central body is not that of initiating a detailed working plan; that task would be almost superhuman and would consume far too much time. The central planning authority formulates general objectives in accord with the national policy laid down by the government, a framework of the broadest sort. This is passed on to lower planning organs and gives general form to their initial plans of detailed operation. Having set the framework of all planning, the central authority devotes itself to the coördination of a series of plans that start with the units that must ultimately execute them.

In this work of coördination intermediary bodies relieve the central planning body in Moscow of a mass of minor decisions. In all Russian planning there is an important distinction between undertakings of local importance, of regional importance and of All-Union importance. Final decisions on all questions of planning not designated as of All-Union importance are reached by various intermediary bodies. These decisions are incorporated in their plans as submitted to the center.

We have stated that there is decentralization in the planning of details. Actually, after broad decisions of policy have been made, a skeleton plan also is started at the top and works down, while at the same time the detail is being formulated at the bottom. Such a procedure is necessary to economize essential time and has been described to us as "a continuous flow of plan in both directions". The resulting practice is confusing and for descriptive purposes it seems wise to assume a sequence of events in accord with the fundamental theory.

The manager of a single producing unit is interested in getting out the largest volume of goods with a maximum efficiency. He formulates a plan of production specifying the amount which he undertakes to manufacture. In order to accomplish his objective he anticipates requirements for a

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certain amount of raw material of various kinds, for a certain amount of labor at a given level of efficiency, and for a certain amount of capital. (For the moment we may neglect his working capital resources.) Both his requisitions and his objective are subject to amendment at several points. The manager may have made a mistaken estimate of the efficiency of labor. On this point there has already been an agreement with workers' committees, but the estimate is subject to check as the plan passes to the center. If it is modified, he must change his estimated demands for labor or his estimated product. So also as regards materials and capital, his estimates are checked and, if need be, corrected.

Programs of all the unit enterprises are prepared and passed to the center. The technical possibilities of the unit enterprises are worked out by conference between the manager and the technical staff of the authority immediately above him. Ultimately there reaches the central planning authority an aggregate forecast of the requirements and products of industry. Similar estimates are available for agricultural products and for consumer demands through the retail stores.

It will be largely accidental if these demands and products make an exact balance. There are in the first place demands for raw materials, semifinished goods, capital equipment and consumers' goods that are not met from Russian production. The first three become part of an import program to keep existing equipment going. To balance these there must somewhere be found an exportable, unrequisitioned surplus. There are further discrepancies that can be ironed out internally, in practice largely by holding down consumer demands and by stimulating or supplementing existing plant. Finally there are decisions as to the development of new plant and the allocation of limited resources. These conflicts are treated in more detail below.

Coupled with these requisitions for materials are demands for labor at various places and with varying skills. The planning body must obviously take into account population growth by age groups, probable or possible population shifts and the product of training schools.

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In these decisions the planning body is faced with a herculean task. The important point to notice, however, is that it is concerned with the reconciliation of realistic aggregates. Without the degree of decentralization described above, such planning would be impossible.

It may happen that, in order to satisfy the needs of one department of the national economy, demands will be made upon another which are impossible of realization. In the formulation of the final plan the local unit has an opportunity to criticize and object to these demands. How effective this practice may be we cannot say. The final decision rests with the central planning authority; and we are both of the opinion, considering the temper of the people, that many parts of the plan become impossible mandates. On the other hand, in practice, the arbitrary control and demands of central authority are frequently wise and often result in increased efficiency.

The Flexibility of Russian Planning

Not only is Russian planning decentralized and coördinated, it is also flexible both in theory and practice. The first legislation setting up the State Planning Commission (*Gosplan*) in 1921 directed it to work out a single nationwide economic plan on the basis of the plan of electrification approved by the Eighth Soviet Congress, and in addition to work out the pressing economic tasks of the immediate future in the fullest detail, giving full weight to the concrete economic realities of the moment. There was here "in embryo" the idea of two categories of economic planning, an idea which runs "like a red thread" through all Soviet legislation concerning planning,[1] and which enables the planning organizations in practice to adapt themselves to the conditions of the moment. These categories are the general future or long term plan, and the operating or "calendar year" plan. The same distinction in another form has developed in the planning of rationalization and capital construction, and in the separate planning of

[1] This is brought out in A. C. Gordon, *The System of Planning Organs of the U. S. S. R.* (*Systema Planovikh Organ U. S. S. R.*), a pamphlet edited by G. M. Krjijanovski, one of the chief authors of the Five Year Plan, and published in 1929 by the Communist Academy in Moscow.

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current economic production and distribution. The objectives and hopes of Russian planning find expression in the first; the mandate laid upon the producing units to govern their operation at any given time is expressed in the second. The figures in which this mandate is expressed are the all-important "control" figures of the planned economy.

Beginning in 1924 the State Planning Commission (*Gosplan*) developed for the whole Union of Socialist Soviet Republics a series of one-year plans which were progressively expanded in scope. All incorporated both the concept of mandate and that of hope. The last of these annual plans covered the year 1927-28. It was succeeded by the famous Five Year Plan, which was a program to cover year by year and item by item the economic development of the U. S. S. R. from 1928-29 to 1932-33. It was originally drawn up in a minimum and maximum variant, of which the minimum was at first adopted by the Congress of Soviets. In 1929, however, the maximum variant was accepted as the official plan. The yearly figures in this general plan defined a program having unity and purpose. In its construction vast masses of useful data were assembled. Subsequent planning was made easier. The "control" figures for the first year of the plan, 1928-29, were the figures of the original maximum variant of the Five Year Plan. The control figures for 1929-30, those mandates that actually concerned the manager of a plant in the second year of the plan, were greater than the demands of the original maximum variant for that year. From early spring until September, 1930, the control figures for the succeeding year 1930-1931, were being built out of still further modification of the original program. In addition to these annual adaptations, there is actually constructed every three months a quarterly program that gives substantial flexibility to meet changed circumstances.

Even the control figures are not rigid. In all discussions of the exigencies of planning one encounters the statement that the plan is drawn with allowance for reserve resources to meet contingencies. Where and how they are provided is not clear to us, but it is a significant fact that Russians think

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in terms of possible modifications of control figures or of emergency means of fulfilling the mandates imposed.

Planning the Product and Planning the Cost

Parallel with planning of the production, distribution and exchange of goods and services, there is the planning of finance. No planned economy could neglect this as long as it was also a money economy. In the Soviet Union, therefore, there exists a series of financial plans which form part of the total economic plan and are combined in one general financial plan. The latter consists of the following main elements: a plan for short term credits, a plan for long term credits, and the local, republic and All-Union budgets. There were formerly a number of banks in Russia concerned with the planning and administration of credit requirements. Today the State Bank alone conducts a banking business. The other institutions, while still called banks, are concerned exclusively with planning the distribution of specialized types of credits, which, when advanced, appear on the books of the State Bank. The latter is itself a planning organization as well as a bank. In this financial planning the major principles of decentralization, coördination and flexibility are preserved.

There is hereby created a curious sort of diarchy for the planning of the product and the planning of the cost. The relation between the two is complex and of major importance in the planned economy but can best be made clear as part of an examination of the organization of the planned economy. The State Planning Commission, however, is the ultimate power in planning. In a dispute between it and the State Bank, the State Planning Commissioin is as a rule sustained by the Government.

III. The Planned Economy

The Central Planning Bodies

The present system of planning organizations in the U. S. S. R. is the result of a rapid but logical evolution which was begun in December 1920, when the Council for Labor and Defense was set up by the Eighth Soviet Congress as a commission of the Council of People's Commissars to act as the

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supreme planning authority in Soviet Russia. This evolution has been in two directions—the development of planning within the large number of organizations charged with the actual carrying out of the economic work of the country, such, for example, as the Supreme Economic Council and the industries under its charge, and the development of planning organizations in the strict sense of the word, such as the State Planning Commission (*Gosplan*).

This evolution is still in progress. For example, within recent months there has been created under the Council of Labor and Defense a new body, the Commission of Fulfillment. The former keeps its old functions, of which the most vital is the making of ultimate decisions on major matters of policy. The latter body is not concerned with the essential decisions involved in planning, but is responsible for the execution of the plan. Its work involves determination of the degree in which the plan is fulfilled, allocation of responsibility in the event of incomplete fulfillment, and decisions as to meting out administrative punishment — demotion, transfer etc. There has also been a breakdown of the functions of the Commissariat of Trade (*Narcomtorg*). The monopoly of foreign trade continues in this department. Domestic commerce and supervision over the food industries are taken over by a newly created commissariat, *Narcomsnab*. As this process has been going on for some years, it is obvious that in one detail or another every article on the structure of Russian economy must become obsolete in the very writing. Moreover, the evolution has been complicated by changes in the political subdivision of Russia. But in its essence it has been simple and continuous; so much so that the basic structure appears to us to be nearly completed.[1]

[1] No comprehensive effort has been made to assure accuracy in describing conditions as they have changed since September, 1930, except at certain obvious points. We both feel, however, that news dispatches in general overemphasize changes and interpret as about-faces pronouncements that merely embody existing practice or obvious evolution. Thus in the widely heralded statement of Stalin, reprinted in our papers in July, 1931, the item which was played up as a return to capitalism was the "establishment" of piece rate wages. While there may have been some further extension of piece rates this

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The main features of this evolution on the administrative side have been briefly as follows. There were organized by the Council of Labor and Defense and by special legislation of the Soviet Congress, beginning in 1921, a series of Regional Economic Councils (*Ecosos*) in the various political subdivisions of Russia, from the province (*oblast*) down to the village in some cases. The membership of each Council was composed of a representative of the Council of Labor and Defense as chairman, the heads of the regional government departments charged with economic responsibilities, a representative of the coöperatives and one of the trade unions. It was through these bodies, which had both administrative and planning duties, that the Council of Labor and Defense directed the economic life of the country. The planning functions were carried on by special committees set up by these Regional Economic Councils.

In 1921 this structure operated over Russia proper, the R. S. F. S. R. When the federated organization of the U. S. S. R. was established in 1923, a similar structure was established in each of the federated republics.

Under a decree of March 1921, moreover, the great government departments having to do with economic matters set up various planning bodies within their own organizations to consolidate their planning work, and the organization of these departments and their planning work is still developing up to the present. These departments are in part the ordinary governmental departments known to western political organization and in part they are peculiar to Russia. In all cases their functions are different. As they will be referred to constantly in the succeeding discussion the more important of them are here enumerated: the Commissariat of Finance (*Narcomfin*), the Commissariat of Trade (*Narcomtorg*), the Commissariat of Supplies (*Narcomsnab*) the Commissariat of Ways and Communications (*Narcomput*), the Supreme Economic Council

year, the practice was not new in 1930 and seemed to us at least as widespread as it is in the United States. The only thing in this announcement which seemed to us a vital departure was the statement as to the position of the technician and expert. A new day will dawn in the U. S. S. R. for many thousands when the non-party, old régime expert is truly trusted.

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(*Vesenha*), the Commissariat of Agriculture (*Narcomsem*). With the exception of *Narcomsnab* these departments represent a fairly clear-cut functional organization, and the future development will almost surely bring the exceptions into line.

Prior to the final development of planning work on an independent basis the administrative structure of the economic life of Russia was as follows. Under the Council of Labor and Defense there existed Regional Economic Councils bringing to a focus the economic work of the government departments. Serving these councils were regional planning bodies. Within the government departments were organizations planning their internal work.

The evolution of planning work itself followed a similar course. The planning work of the R. S. F. S. R. involved establishing in February, 1921, a State Planning Commission (*Gosplan*) to draw up a general economic plan for the country. Its primary concern was with electrification. It was limited at first to mere coöperation with the bodies listed above. In 1922 *Gosplan* was reorganized and strengthened, but even in 1923 at the Twelfth Party Congress there were doubts as to what the scope of the operations of *Gosplan* should be.

In 1923 the U. S. S. R. was organized. The *Gosplan* of the R. S. F. S. R., became the State Planning Commission for the whole of the U. S. S. R.[1] Subsequently, from 1923 to 1928 State Planning Commissions were set up in the various republics, including the R. S. F. S. R. In effect this meant that the planning bodies under the Council of Labor and Defense became regional planning commissions with legal status independent of the Regional Economic Councils of which they were originally a part.[2]

After the "scissors" crisis[3] of 1923 the functions of *Gosplan*

[1] Soviet Russia is organized politically as a federal state, the Union of Soviet Socialist Republics (U. S. S. R.). This is made up of seven federated republics, of which the largest and most important is the Russian Soviet Federated Socialist Republic (R. S. F. S. R.).

[2] Some of the Regional Economic Councils have since been abolished to simplify administrative practice.

[3] The "scissors crisis" was the breakdown of agriculture under the disparity between prices of manufactures and those of agricultural products.

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were extended, and in 1924 the country embarked on the path of planning without reservation.

The appearance of the State Bank as an important planning organization and the drafting of the General Financial Plan were late developments which accompanied the introduction of the so-called credit reform of 1930.

Under this structure it is evident that the Council for Labor and Defense is the final authority. It is part of the highest political power in the country, the Council of People's Commissars. Its authority carries down to the smaller producing unit. Coördination of the planning work of the administrative units in each political subdivision and finally for the country as a whole is effected through a series of general planning commissions, leading up to the All-Union *Gosplan* in Moscow.

Industrial Production According to Plan

The industrial production of Russia in large measure proceeds under the administration of two government departments, the Supreme Economic Council (*Vesenha*) and the Commissariat for Supplies (*Narcomsnab*). Most industries are under *Vesenha,* but food manufacturing is under *Narcomsnab.* Under *Vesenha* we have counterparts of the horizontal American trust or combine. In most important industries there is one great combination called the *obiedinenia* which buys the raw materials, sells the final product and directs the operations of a group of factories under its control. For administrative purposes there may be subsidiary trusts, largely for the technical direction of a group of plants. Finally there are the producing units themselves with managements responsible to the trusts. The production of manufactured foodstuffs is similarly organized under *Narcomsnab.* The great hydroelectric project (*Dnieprostroi*) is the only exception to the rule that producing units are responsible to an *obiedinenia* which in turn is subordinate to *Vesenha, Narcomtorg* or *Narcomsnab. Dnieprostroi,* probably regarded as the most important single project in Russia, is directly under *Vesenha.*

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It has been pointed out above that Russian planning is two-fold—planning the product and planning the cost, and that it begins with the individual producing unit. What planned production really means in practice is best seen, therefore, in examining its operation in a single factory, for example, a textile plant.

A textile plant establishes or has established for it certain standards of efficiency. These standards are based upon a concept of improving Russian efficiency. For example, it is known that 1000 pounds of cotton of a certain grade and staple make 2200 square yards of a given grade of cloth in the United States, 2000 square yards in another country, 1700 in a third and only 1300 in Russia. (The latter is a hypothetical figure.) The Russian standard of performance has been advanced already from 1000 yards. It is known that it can be pushed higher, but that it cannot at once reach the highest level. After a study of plant conditions and talks with the workers' committees and the managers, it is decided by conference and compromise — with ultimate authority always at the top—that in the next year Russian performance shall yield 1500 yards. In the same manner an analysis is made of labor productivity per man-hour. The conclusion is reached that, with the existing capital equipment adequately manned, an output of 3,600,000 yards should be realized in the year. All other items are considered in the same way.

There is now a series of objective standards by means of which the management can be judged. It is proposed to operate the plant for an output of 3,600,000 yards, rising from 800,000 square yards in the first quarter to 1,000,000 in the fourth quarter. These results are to be accomplished with a working force of three seven-hour shifts of 180 men each in the first quarter, of whom one-fifth are off on any given day. The output is calculated for the first quarter at the rate of 2.94 square yards per man-hour. By the last quarter there must be an eight per cent increase of labor efficiency, raising the rate of output to 3.18 square yards per man-hour. The labor force must be increased to three shifts of 208. The raw material required will be 2,400,000 pounds of cotton in

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the year; approximately 570,000 pounds in the first quarter and 625,000 in the last quarter.

It is now possible to figure the working capital requirements. For the two items that have been given above the process can be illustrated. The price at which cotton will be sold to the plant is determined at the first of the year and is fixed for the year. This last year it was 22 cents per pound delivered.[1] The mill must therefore buy $125,400 worth of cotton in the first quarter and $137,500 in the last quarter. The wage scale is also negotiated with the trade union at the first of the year. If the average wage for this plant is $35 per month or 21 cents per man-hour, the wage bill will be $57,150 in the first quarter and $65,800 in the last quarter. Other expenses, *including depreciation but excluding any return on plant investment,* are figured in precisely the same manner that an American accountant would set up the books of a New England textile mill. In all, cash payments of $220,000 are called for in the first quarter and $246,000 in the last quarter. In addition reserves, primarily for depreciation, require $10,000 a quarter, and the factory is allowed a planned profit to be distributed for certain specified purposes, chiefly for housing and social and welfare work as described below.

Cotton cloth is therefore supposed to cost $28.75 per 100 square yards at the mill in the first quarter and $25.60 in the last quarter. The price at which the factory sells to the *obiedinenia* is the cost of production as calculated above. The *obiedinenia* sells at cost plus a certain percentage. This is not the same in all *obiedinenii.* In the case of the electric trust it is 8½ to 10 per cent. This percentage covers the operating costs of the overhead organization and allows a margin of profit.

In general, for an industry selling to other industries the selling price is fixed by the Supreme Economic Council (*Vesenha*). In the case assumed above, this price would be fixed at perhaps five per cent above the average cost for the year, or $28.55. In this particular industry the price at

[1] As to the method of combining Russian and world prices, *cf. infra,* pp. 391-93.

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which the *obiedinenia* sells to the coöperatives through their central planning organ (*Centrosoyuz*) is fixed by the State Planning Commission (*Gosplan*) in conference with *Vesenha* and *Narcomsnab*, and the price at the factory is five per cent less than the price charged to *Centrosoyuz*.

Labor in a Planned Economy

In a communist society "the well-being of the workers is the end and goal of all organizations." In the U. S. S. R. this does not necessarily include well-being or happiness for every individual. Certain liberal values are ruthlessly sacrificed in the interest of the proletarian mass. The sacrifice, however, is for what is conceived to be the long-run betterment of the material or cultural life of the workers collectively.

It is not the purpose of the writers to discuss this aspect of life in the U. S. S. R. To do so would involve an evaluation of that life such as Eddy's *Challenge of Russia* or a chronicle such as Chamberlin's *Soviet Russia*. We have no special qualifications for such work. We do attempt to describe the economic structure of the society and the method of planning. From this point of view, laborers are vital producing units, whether in Russia or in Madagascar or in Alabama. In planning the production of such a country one must take the working force into account.

The process of planning the available labor power starts with intensive demographic studies of existing population distribution, population growth and migrations. Early studies of this kind disclosed the fact that an industrial and technical development was projected beyond the capacities of the uninterrupted development of the population. Trade schools and universities were therefore established to turn out certain types of skill in certain quantities in each year of the planned economy. Hence the planned economy specifies not only the construction of factories but also the creation of a potential labor supply.

Until this last year it has been assumed that the individual worker might be left outside the plan. If a sufficient mass were trained as textile operatives, mechanics, or tractor drivers,

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it was believed that through a series of labor exchanges they would fit into existing industry.

Their collective and individual interests were to be represented by trade unions. The workers were interested in the plan of production at two points: wages and efficiency. In a communist, as in any other economy, the interests of the individual wage-earner or of a special group of wage-earners may be in conflict with those of the management or of the larger society. As regards wages and working conditions there seems to have been an attempt on the part of the union to function as an equalizing agency. But, as regards both profits and efficiency, the unions have functioned at least as much to sell communistic goals to their membership as they have to wring from society a higher present standard of life for their members. In carrying through this highly successful campaign, with methods more brazen than any "open shop" employer in a southern textile mill would dare use, the planning authorities have of course been able to depend upon the argument that merely a postponement of benefits, not a permanent sacrifice, is involved.

In recent decrees[1] planning for labor has been facilitated, with a distinct impairment of the freedom of the worker. Labor turnover in Russian factories has been high. Trained workers have moved from one plant to another, not because the flow was wanted, but for personal reasons. Russia is operating with a deficit of skilled labor, as she is with a deficit of cotton textiles. As a result, the authorities have undertaken to ration workers to different industries—this has always been part of the plan—and to make this rationing effective by decrees covering methods of securing employment.

[1] See note on page 372 with reference to piece-rate wages. In recent years there has been no pretence of precise equality of income, though the handful of extraordinary executive rewards found in this country does not exist in Russia and there is no substantial income from property ownership. The impression which the income structure of the U. S. S. R. made in 1930 was rather that of the United States up through the ranks of junior executives, sheared of returns on property. See page 399 for the way in which the price-structure reduces the reality of this spread.

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Agricultural Production According to Plan

Agricultural production has always been the fundamental source of livelihood of the Russian people. It has taken on a new significance in recent years. The functions of planning in this field are interesting in themselves and as types.

The revolution appears to an outside observer as a parallel flow of two distinct forces that never blended. On the one hand there was a peasant insurrection that seized land, established a greater number of self-sufficient households than had existed before, and demanded only freedom to develop a more or less classless individualistic economy of the most ancient type. On the other hand there was in the cities a proletarian revolution that demanded an entirely new order of things. It was only in 1919 that the land was "nationalized" by vesting title to the land in the state, but the individual peasants continued to enjoy the right to use the land.

This dualism had to be broken in order to achieve industrial expansion, for the growing cities had to rest on a domestic agricultural base. A disadvantageous discrepancy between industrial and agricultural prices merely accentuated an even more fundamental problem. Before the introduction of the collective farm there did not exist and could not exist an adequate surplus to feed the cities and for export. The large landholdings, which had formerly furnished a surplus, had been broken up and in their place had developed an extension of the purely self-sufficient subsistence economies that had existed before.

The Five Year Plan provides for an extension of agriculture by enlarging the sown area in various crops and increasing the yield per acre. This extremely important section of the planning work is carried out in the first instance by the planning section of the Commissariat for Agriculture (*Narcomsem*) and its regional counterparts. The recommendations of *Narcomsem* are referred to the agricultural section of the State Planning Commission. Final approval rests with the Council of Labor and Defense, though the plan is also referred to the agricultural section of the Workers' and Peasants' Inspection. A fundamental part of the present program, and the major

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source of the marketable surplus of agricultural produce, is the development of large-scale power farming both in State Farms and in various types of collective farms. Of these two the State Farm was intended to provide the model and to give the first increases in marketable surplus. The bulk of the improvement was intended from the beginning to come from collective farms. Not only the means but the speed of collectivization is laid down in advance in the annual control figures.

This agricultural revolution, called in Russia the extension of the "socialized sector" of agriculture, was accomplished in part by the ruthless extermination of the *kulak* or "rich"[1] peasant class. It has been pointed out by Mr. Hindus that the existence of this class, which is the living embodiment of the success to which every individual peasant might aspire, was an insuperable obstacle to any plan of collectivization, and therefore an insuperable obstacle to the creation of the increasing marketable surplus of agricultural produce essential to the whole plan of industrialization.

Aside from the "liquidation" of the *kulak* class, the process of collectivization is carried forward by methods that favor collective farming. There is no discrimination between collective farmers and individual peasants respecting prices for grain of the same quality. There is, however, a price differential for varying grades of grain. The collectives derive a distinct advantage from this circumstance, because the quality of the grain depends in no small part upon the quality of seed used, and they are favored in the matter of seed supplies. They also are able to obtain tractors and credits which are not available to the individual peasant in a land where the distribution of capital is planned, while its amount is inadequate to satisfy the needs of all. In the matter of taxes the collectives enjoy certain exemptions not applicable to the individual peasant.

[1] In official communist doctrine the wealth of a peasant does not define his status as a *kulak*. A *kulak*, according to the official definition, is a peasant who systematically employs hired labor, or in other words "exploits" other peasants.

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The planning of Russian agricultural production runs into even further detail. The principal agricultural processes such as planting and harvesting are planned so far as timing is concerned. Inevitably the approximate dates are fixed by the climatic conditions of each locality. However, in order to assure the fulfillment of plan, State Farms and collective farms are supposed to have their seed planted on a certain date and harvested at a given time. A financial incentive is provided in the form of a premium for grain delivered before the harvest date, and a penalty for grain delivered thereafter.

Distribution According to Plan

The goods produced by Russian industry pass in part into the hands of other industries in accordance with the general production plan, in part they pass into the control of the foreign trade monopoly as part of the export plan, and in part they pass directly to the coöperative stores for sale to the final consumers. They do not do so, however, at the initiative of the local coöperative store, for distribution is also planned. Consumers' goods are bought from industries on long term contracts by the planning body which stands at the head of the coöperative system, the Central Coöperative Society, or *Centrosoyuz*.

Similarly in the case of agriculture, part of the output remains on the farms for local consumption, part passes into the hands of the export monopoly, and a large part is purchased by *Centrosoyuz* for distribution through the coöperative system. In the case of grain this involves the elaboration of a grain-collecting machinery which has passed through a rapid evolution resulting in the following functional distribution of powers.

Grain is bought by "Grain Center" (*Khlebocenter*), but passes into the physical possession of the "Grain Union" (*Soyuzkhleb*) on a contract that allows a spread between buying and selling prices sufficient to cover operating costs. This latter organization is the elevator and milling concern for Russia. It is also the sole seller of grain and flour for distribution through the coöperatives and for export.

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The grain is purchased for the deficit areas and for the cities by the Central Union of Coöperatives (*Centrosoyuz*), and is distributed through the local coöperative stores. Delivery is made directly from a local agent of *Soyuzkhleb* to a local coöperative store. There is no rehandling of goods; but bookkeeping entries are set up between *Soyuzkhleb* and *Centrosoyuz*. Grain for export is purchased at the domestic price by "Grain Export" (*Exportkhleb*) and any losses it may incur by selling in the world market are offset against profits in other export organizations.

In the process of grain collection the major supply comes from the collective farms. The amount that they are supposed to be able to sell is determined as indicated below. *Khleb-ocenter* enters into a contract with the collective to deliver a certain percentage of its output at a specified elevator on a certain date. If the collective objects to the levy assessed, it has an appeal through the district or regional farm union. Any surplus above the levy may be sold in the private market.

The grain collection policy and the sale of manufactured goods through the village coöperative are bound together. In each county (*krai*) the local agencies of the Commissariats of Supplies and of Agriculture, acting through the Regional Economic Council, adjust the volume of goods to be sold in accordance with the grain delivery. It is understood that any collective delivering its full quota of grain on scheduled time is assured that the full quota of goods assigned to the local coöperative will be delivered. If it does not meet its grain quota, there is a penalty in the reduction of goods assigned to the coöperative. If it exceeds its quota, there is a premium in goods made available, the additional goods being drawn by *Centrosoyuz* from a special reserve fund. The illustration is important not only in showing the integration of policies, but also as further evidence of flexibility in planning.

Most of the contracts which *Centrosoyuz* enters into with industry and agriculture are on a yearly basis. They therefore cannot coincide exactly with actual production in industry, or with the surplus production of the villages and farms. Consequently three main outlets for goods have been estab-

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lished in the U. S. S. R., namely, the private bazaar, the state store, and the coöperative store.

The *Nepman,* or private middleman, can apparently be neglected as a factor in Russian distribution today. He is subjected to every possible disadvantage, high taxes, high living costs, exclusion from all caste. He is given few compensatory advantages. He must buy from the handicraft industry articles that are produced under conditions of high cost. As Russian industry is developing, he is disappearing. Current Russian doggerel, which is sometimes brutally frank and rather grim, traces his progressive degradation under the Five Year Plan.

The private bazaar or open market on the other hand is an outlet for the individual's own product. It was estimated in the summer of 1930 to be doing fifteen per cent of the trade. Prices are free market prices, similar to those with which we are familiar. It is only here that inflation can develop a price consequence. In general, inflation in a closed economy of controlled prices means an unspendable cash surplus.[1] Such a surplus of ten per cent in an economy of free markets might drive the general price level up about ten per cent. In the Soviet Union, if it is actually to be dissipated, it must flow to the private market and will drive prices up not ten per cent but about sixty-five per cent. Some such process has occurred, for prices in the market are incredibly high. Butter at $1.50 a pound—$3.00 in one place—and eggs at $1.50 a dozen reflect not only inflation but a severe destruction of animals in the winter of 1929-30. But other prices, as for cabbage and fresh fruits, are far above anything that one would pay in western Europe if rubles are translated at official exchange rates.[2]

[1] The rise of some prices, particularly in the new state stores, in the spring of 1931 partially belies this statement. It is still true from a theoretical point of view; but it would appear that "an unspendable cash surplus" may become a sufficient nuisance even in a closed, controlled economy to lead to a modification of prices.

[2] One of the most recent developments in the Russian system of distribution has been the opening of shops by the government where goods, chiefly food products of all descriptions, can be purchased without cards at prices which

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The state stores [1] are retail outlets for manufacturing trusts. Apparently the coöperative system has first call on their output; but if more can be produced than has been requisitioned, the trust may retail its surplus. In Moscow the electrical trust (*Veo*) was selling part of its product to its own stores at the same price that it sold to coöperatives. The price to the consumer was identical. In Russia where there is a large unsatisfied demand for goods of all sorts, the amount of this excess product is relatively small. It is not entirely clear to us, however, that any such series of outlets belongs in a planned economy. The consumer plan is developed primarily in the coöperative system. The essence of successful planning seems to us to be the non-existence of surplus. In the case of standard goods, therefore, the state stores are something of an anomaly. Immediately, they do serve as centers of distribution for individuals who are not members of the coöperative and who wish to purchase beyond a rationed allowance.

The vast bulk of the trade of Russia is carried on through the coöperative stores.[2] For each commodity the local organization (not the individual stores, of which there may be several hundred in a city) works out its demand on the basis of the experience of the past year and the change in population, in habits and in purchasing power. This requisition passes to *Centrosoyuz* and *Gosplan* and in modified form becomes part of the year's plan.

The coöperative buying and selling prices are fixed by the Commissariat of Supplies (*Narcomsnab*) for about seventy-

correspond to those of the open market. There seems to be a twofold object here, to provide direct competition for the *Nepman* and to draw off into government channels part of the surplus spending power of the people. In January 1931 it was reported that there were 66 such stores in Moscow.

[1] In 1930 there were several stores in Leningrad and in Moscow that were called state stores locally and in which prices were higher than in the coöperatives and lower than in the private market. They were patronized by the upper income groups and by those who wanted to avoid standing in line. It was an exceptional type of outlet, new at that time, which we only heard discussed once. It has since been extended. It is to this type of outlet that the price rises this spring are especially applicable.

[2] Since 1930 there has been a great extension of factory stores, stores selling at coöperative prices only to workers in the factory.

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five per cent of the turnover. In general the non-essentials are locally regulated as to price. For example, the price of all socks except silk socks is regulated by *Narcomsnab* and is uniform for the country. Silk goods in general are unregulated. The prices of local perishable products are also locally regulated. Every morning the representative of the district coöperative store organization meets with the representative of the Fruit and Vegetable Producers' coöperative (*Plodosoyuz*) to decide upon the price for that day. The coöperative stores do not buy direct from farmers, but from the farmers' coöperative association.

In general where *Narcomsnab* fixes the prices of goods bought by *Centrosoyuz* from industry, the retail price is about fifteen per cent above that of the *obiedinenia*. *Centrosoyuz* is allowed 1/32 per cent to cover its expenses. The regional and district organizations are allowed respectively one and two per cent. These payments are made from the local coöperative. The retailer therefore does business on a mark-up of a fraction less than twelve per cent, which is reduced to 8½ per cent by a turn-over tax.

The Relation between Planned Production and Planned Consumption

In the planned economy of Russia there must be at some point a fusion between the planning of production and that of consumption. No better illustration of how this is brought about in practice can be had than the planning of the export surplus of grain for the whole Union.

The amount of grain which can be collected from the peasantry is the basic figure in this important department of planning. This amount—the marketable surplus of the villages—must be calculated. The first problem is to estimate the total crop. Certain facts are available to the regional planning commissions and to the regional political authorities—e.g., the *Krai Soviets*. In the first place they know from three sources how much land is under cultivation in wheat and other crops. The Commissariat of Agriculture (*Narcomsem*) checks up regularly on the amount of arable land and of sown land,

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that is, it conducts a census of land under cultivation. The Central Statistical Bureau [1] also gives the same information and in addition the Commissariat of Finance (*Narcomfin*) supplies figures of taxes levied on land. The figures from these sources are gone over carefully by the Regional Soviet and sent to the center. They provide, for example, an estimate of land under wheat. In the second place, the planning authorities know the actual amount of wheat sown. This, we are informed, although we accept the information with some reservations, is not an estimate but a known fact; for the amount of wheat sown is in accordance with a detailed plan, the percentage fulfillment of which is known. In the third place, they know first the estimated and finally the actual harvest. In every village the local Soviet estimates the product per hectare. It does this through a specially constituted commission of experts which includes a representative of the Soviet, an agronomist (we doubt if there is one in every village), a private citizen, a representative of the collective farms and others. This committee reports on the progress of the crop, and in addition the Regional Soviet (*Krai Soviet*) inspects the condition of the crop by the sampling method. Finally, the completed figures of the harvest are checked up with the amount of grain taken to be milled, which can easily be done through the single organization controlling all mills.[2]

[1] After this article had gone to press we learned through *Memorandum No. 1* of the Birmingham Bureau of Research on Russian Economic Conditions of the abolition of this Bureau. At the time of our visit it was the only completely centralized service in the U. S. S. R. There were no regional counterparts responsible to regional soviets. The local offices of this Bureau were responsible to the Moscow office alone. They reported directly to the Moscow office, and only as a matter of economy and courtesy did they report incidentally to regional authorities.

[2] The fact that so many checks are used in this basic estimate indicates probably both the desire for statistical accuracy and also the difficulty of estimate. The latter point is illustrated in connection with reports from mills. Nothing could be easier than the compilation of the report from the milling trust, but in thousands of villages there are small mills privately owned.

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This also provides figures for the development of plans for new milling machinery the next season.

It is only recently that the planning work reached down to the village, and hence crop estimates of earlier years showed a larger margin of error than they do now. At the present time the June 1st figure, about ten days before the winter wheat harvest in the Northern Caucasus, is good and the July figure is quite accurate. After that bi-weekly reports are made till the harvest is completed.

On the basis of figures collected in this way for wheat, and similarly for other farm products, the planning organizations proceed to calculate the *marketable surplus* of the farms and villages. They draw up a table of the production of all the farms in their district, and from this they proceed to make certain deductions. First they deduct grain needed by the producers for seed. Second they deduct grain needed to feed cattle on the farms. Third they deduct grain needed for consumption by the peasants in the villages.

The process of estimating village needs for seed and feed is obvious enough, but the estimation of peasant consumption is a process to give a statistician grey hairs. The study starts with an examination of family budgets of the particular area. This must be done regionally, for the habits of the population are not uniform over Russia. Here the planning authorities consider so far as possible the entire production or income of the family with its probable consumption in kind. In the second place they attempt to estimate what the family must buy in the way of shoes, clothes, etc. The final process is an attempt to balance what the peasant must buy and what he can spare out of his gross produce.

This part of the planning obviously overlaps with the planning of coöperative stores. Fundamentally the problem of the village surplus would seem to be that of peasant consumption in kind. Practically this is a variable amount and

They deal, we believe, for the most part with individual peasants and are thus perhaps an unimportant factor in milling the marketable surplus. But in connection with the total crop, which is here being estimated, we are quite sure that these millers actually do not know the amount of grain that they handle and probably would not report it truthfully if they did.

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sales of farm products by the peasants depend upon the manufactured goods they have to buy and the amount of such goods actually offered to them by the coöperative system. Moreover, a balance between the peasant's potentially salable grain and the purchases he desires to make cannot be effected without regard to price. The whole calculation of the marketable surplus of the village is therefore one of the vital factors in price-determination in the U. S. S. R.

After these two estimates have been made—total product and total village consumption—there is a balance of what the village can give up. From this is deducted a state seed reserve to be thrown into elevators in districts where there has been partial crop failure. There are also special deductions.[1] The balance is an exportable surplus from the villages which must be sold to the grain-buying agencies at a price fixed in the manner to be described below. This is a variable proportion of the total crop. In the case of wheat we were informed that it was as low as 2.2 per cent in some districts and as high as thirty per cent in others, due to various climatic and other special local circumstances. As these estimates can never be exact there is a surplus left over which supplies the private market.

In estimating the regional position with reference to grain export, each district makes a study of the needs of its non-agricultural population, of feed requirements for dairies and other non-village enterprises, of the raw material requirements of industries, and of a grain reserve for consumption in the hands of the Grain Union (*Soyuzkhleb*). As a result of these calculations there are presented directly to the State Planning Commission from its subsidiary organs estimates of surplus and deficit bread regions. Thus there will be a surplus of a certain number of hundreds of thousands of bushels in the Ukraine, in the Lower Volga, in the Northern Caucasus, etc.; and a deficit of some hundreds of thousands of bushels in the Leningrad district, in the Moscow district, etc. The final balance arrived at in August from these

[1] In the case of cotton, for example, there is a deduction for cotton to be used in home manufacture.

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regional figures gives the export surplus that enters into the foreign trade plan for the ensuing year.[1]

Prices and the World Market in the Planned Economy

Price control is an inseparable part of economic planning in Russia. Its object is to establish stable prices within Russia based in the first instance upon Russian costs of production. An example of this process was developed by way of illustration for a textile mill. In the section dealing with profits it will be shown that costs do not always determine selling prices. In some cases the latter are weighted to allow a high rate of profit; while on the other hand a few staples may even be sold below cost. But stable prices, determined in advance, provide a measure of the operating efficiency of Russian industry. For this reason price control is a significant part of the supervision of the execution of the Five Year Plan.

Prices, indeed, are a fundamental element of the planned economy itself. In a money economy, even as it is organized in Russia, it is through the mechanism of price that the major portion of the national dividend is distributed. The control of prices will therefore work to the benefit of one group or to the detriment of another.

Because of the importance of price decisions there is far more centralization of control here than in the planning of production. The ultimate authority in the latter is the Council of Labor and Defense. With regard to major price policies it may almost be said that the Council of Labor and Defense assumes primary jurisdiction. There are, indeed, subordinate authorities before which the interests of producer and purchaser may be presented. Thus the price of cotton might conceivably be fixed by agreement of the textile *obiedinenia* and the farmers' coöperatives in Turkestan, or by these through the agency of the Supreme Economic Council and the Commissariat for Agriculture. Practically, however,

[1] Since we were in the U. S. S. R. the planning year has been changed to begin with January. How this will affect the allocation of exportable surplus in the case of agricultural crops it is a little difficult to see. Our guess is that the crop harvested in 1930 and sold largely in 1930 will be carried forward with the plan of 1931 as a certain amount of dollar exchange available.

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they appear before the State Planning Commission and subsequently before the Council of Labor and Defense. The latter fixes the price either on its own initiative or on the recommendation of the Planning Commission. Again the Supreme Economic Council fixes the price at which a cotton mill sells to the trust or the *obiedinenia* and the Commissariat for Supplies (*Narcomsnab*) fixes the wholesale and retail prices at which *Centrosoyuz* and the coöperative stores sell. It is conceivable that the crucial price at which a commodity passes from the fabricating to the distributing agencies might be fixed by agreement of the Supreme Economic Council and *Narcomsnab;* practically, the matter is decided by the Council of Labor and Defense.

In a planned economy, operating if necessary under pressure to accomplish a predetermined production, the decision with regard to major prices is essentially a political one. Thus the solution of the famous "scissors" problem, arising from the disparity between prices of agricultural and manufactured goods, was attempted in certain general price policies enunciated by the Council of Labor and Defense. Broadly speaking the prices of agricultural products were to be held constant or, in some cases, increased, while the prices of manufactures were to be cut by passing on reductions of cost. Even where price is used to accomplish a definite economic end the decision is made by the central authority, either the State Planning Commission or the Council of Labor and Defense. There has been an attempt to develop what are called "technical crops" such as flax, the soy bean, and sugar beet. Price control has been used as a means of stimulating growth or discouraging the culture in some areas. Thus in the case of soy beans prices have been advanced in some districts and actually reduced in others.

Essentially therefore there is centralization of price-control where the decision affects the well-being of any substantial group. Where the decision is one merely of control accounting it would seem to rest within the appropriate department. But wherever the decision is made, there are points at which the Russian economy impinges upon the world market. The

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economy is not a closed one. It must reckon with world prices for both imports and exports. How is this done without upsetting the concept of stable Russian prices? One may take as examples a complex of prices involving an import such as raw cotton and one involving an export such as wheat. In the first case there is an interrelationship between world market prices for imported cotton, a fixed price for Russian grown cotton, and fixed prices for textiles produced from both. In the second case there is also an interrelationship of world prices and fixed domestic prices.

Last year approximately seventy-five per cent of the cotton used in the Russian textile industry was Russian-grown. The price paid for this cotton to the growers in Turkestan was based upon a calculation of their costs of production. This calculation involved implicitly the establishment of a certain standard of life in that region, for the major item in the costs was obviously peasant labor. This price can be quite independent of world prices, for it is assumed, for example, that the opening of the Turk-Sib railroad will bring grain and fuel to the peasant of Turkestan at lower prices and will therefore make lower prices for Russian cotton possible while affecting world prices only in small degree.

As all other costs of the textile industry were fixed in the manner already indicated, the introduction of a variable cost element, that of the twenty-five per cent of the raw material purchased abroad, would have vitiated the whole system of textile goods prices, for it would have been impossible to fix these in advance so as just to cover the cost of production. To overcome this difficulty the organization purchasing cotton abroad from India, Egypt and America estimated at the beginning of the year the probable average cost of foreign cotton for the year. This average was again averaged with the known cost of Russian cotton and in this way a "control price" for cotton was established. All cotton was purchased by the cotton *obiedinenia* at this control price. To enable it to make its purchases abroad the textile-importing organization was allowed to utilize a certain amount of foreign exchange. It bought cotton at the world price with this

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exchange and sold it at the control price to the factories. At the end of the year it will show either a profit or a loss, depending upon the accuracy with which world prices were estimated. These profits or losses are treated in much the same fashion as other profits or losses which result from operations of other Russian industries.

The domestic price of wheat within Russia is only adjusted to long time averages of world prices. The aim is to establish stable Russian prices. If this results in a deficit for the export organization in any one year, it can be carried forward and offset against profits of succeeding years. By an offset against the profits of other export organizations, or by a moderate increase in the domestic price of bread, it can be carried currently without upsetting the budget. If on the average the price policy results in export loss, price readjustment must be made or the type of product will be changed.

Credit Control in a Planned Economy

The system of price control is also the basis upon which the State Bank builds up its plan for the distribution of short term credits, and this in turn is only part of a general financial plan for the whole country.

Every organization which makes or distributes goods of any sort, including the great producing organizations such as the state farms in agriculture, the trusts in industry and special projects like *Dnieprostroi,* and the great distributing agencies such as the railways and the coöperatives, keeps an account with the State Bank. It is provided at the beginning of each quarter with sufficient credit on the books of the State Bank to meet all the calls upon it for cash [1] or bank credit during that quarter. As each of these organizations deals either as buyer or seller with the others, all payments between them can be affected by a transfer of credit on the books of the State Bank.

Under such a system the all-important question which must be answered is " How much credit shall each of these various

[1] One of the most recent extensions of the planned economy of the U. S. S. R. is the planning of cash payments by the "socialized sectors" of agriculture and industry.

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organizations have at the beginning of each quarter?" And this question has really two parts: "How much long term credit and how much short term credit shall it have?"

Under the credit reform begun in April, 1930, the State Bank became the cashier of the whole of Russia. The other banks in the Russian banking system became planning organizations and distributors of credits and not banks properly so called. This is the case of the *Prombank* (Long Term Credit Bank for Industry and Electrification) which is the specific instrument through which the State Bank allocates long term credits for industry, of the *Communalnibank* (Communal Bank) which allocates long term credits for housing construction, of the *Vsecobank* (All Coöperatives Bank) which does the same for the coöperative system. Until it was bodily taken over by the State Bank, this was also the case of the *Kholkhoznibank* (The Federal Agricultural Coöperative and Collective Farm Bank), a "control bank" for agriculture which allocated credits to collective farms and financed the agricultural coöperatives under contracts arranged with the State Bank.

The granting of all short term credits throughout the whole of Russian economy is done by the State Bank itself. These credits are granted in the form of a line of credit to be used within a specified period in accordance with a definite credit plan approved by the State Bank. Indeed, the motto of the State Bank has come to be "No plan, no credit." This system is what is known as "the credit plan" in the strict sense of the word.

The credit plan is based upon financial plans submitted to the State Bank by every planning organization, which in turn are based upon the financial plans of their operating units, showing how much credit they will require to carry out the tasks assigned to them by the general plan of production. The Supreme Economic Council (*Vesenha*), for example, presents the plan for all the great *obiedinenii* or trusts under its direction. Each trust in turn prepares the financial plan for each of the enterprises within it. The trust sets forth its budget for the quarter, itemizing its expenditures and receipts

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and showing its needs for credit. *Vesenha* approves these figures and includes them in its general quarterly financial plan mentioned above. But this is not enough. The figures of credit included in the plan of each trust must be approved in detail by the State Bank before the State Bank will include them in its own credit plan. In the discussion of planning the production of a textile mill, it has been shown how gross expenditures and income are estimated. The State Bank intervenes even in this calculation through its own economists. Thereafter arises the question of how these items are distributed in time and therefore what amount will be required as working capital.

The situation which arises is something like this. The question to be decided is, how much money will be needed to carry out the general production plan? Three sets of people are interested in the solution: the producer or distributor, e.g., the trust, the state farm, the coöperative, etc.; the central planning organization of which it is a part, e.g., *Vesenha, Narcomsem, Narcomtorg;* and the State Bank.

A situation may arise where, for example, the coöperatives say, "We shall need Rs. 2,000,000 to carry out the plan assigned to us." *Narcomtorg* may say, "No, you will need Rs. 2,220,000." The State Bank may say, "No, you will need only Rs. 1,800,000." The same situation may arise between *Vesenha,* an *obiedinenia* and the State Bank. The three organizations must then get together and fight it out and reach an agreement. The State Bank not only controls the credit but it also has a special staff of engineers and "economists" to advise it on the technical aspects of the problem. As in all cases in Russian planning where a decision must be reached between organizations which represent conflicting economic points of view, there is a final appeal to the Government.

The fact that the State Bank is the banker for all producing units in Russia and that the working capital allowed them is a function of fixed prices and efficiency ratios, provides on the books of the bank a continuous audit of plant efficiency in the utilization of raw materials and labor. If, under these con-

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ditions, the individual factory operates during the year, or during the quarter, exactly in accordance with the plan, it will come to an end of this period with a balance in the State Bank which can be calculated exactly in advance. If it operates more efficiently than it is instructed to do in the plan, it will have a larger balance than that planned for; if less efficiently, a smaller balance. This circumstance gives the planning authorities in the comparison of budgeted and actual costs an immediate and automatic measure of the efficiency [1] of every factory in the Soviet Union.

The distribution of capital resources among the different economic undertakings of the Soviet Union is the subject of special plans prepared for industry by the *Prombank,* i.e., the long term credit department of the State Bank, and by the other banks mentioned above for the coöperatives, municipalities and agriculture. Profits of industry are in part paid into the general budget of the state, and form an important part of the total revenue. In the state budget they are supplemented by tax and loan revenues. Of the total income of the state from all these sources a certain large amount is directed to the financing of industry and other forms of economic production, according to the plans for long term credit. The *Prombank,* for example, as the agency for planning the distribution of long term capital investment in industry, draws its resources in part from the profits of industry, which pass through the State Budget, and in part from taxes, loans, and even currency inflation as well. In the whole plan of directing capital investments into one or another channel, the determining factor is not the profitableness of this or that industry, but the technical results that can be achieved by such investment of capital. Profits are withdrawn from particular industries and distributed over all industry in accordance with the general plan of economic development.

The amount and distribution of all these credits are incorporated in a yearly and a quarterly financial plan for the

[1] It does not immediately reflect important costs such as extraordinary depreciation of plant.

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whole country and do not become effective until the unified national financial plan is put in force. The unified financial plan is drawn up by the *Narcomfin* (People's Commissariat for Finance) in consultation with the State Bank. It includes the state budget, the long-term credit plans, and the credit plan proper. It is submitted for approval to *Gosplan*. The State Bank must agree to it, for it may involve inflationary policies not desired by it or modifications in its credit plans. Objections by the State Bank may be overridden by the Government through the Council of Labor and Defense, but the State Bank has a sort of suspensive veto in financial matters somewhat analogous to that of the British House of Lords. The greatly increased share in financial planning given to the State Bank after the credit reform introduces an independent check upon the other planning organizations—potentially at least a very important modification of the whole planning system.

In all financial planning the same distinction between industries of local, of regional and of national importance is observed as in the general production plan. That is to say, that the State Bank and *Gosplan* in Moscow are not called upon to approve the financial plan of any industry or other enterprise not considered to be of All-Union importance.

Profits in the Planned Economy

The system of price control as practised in Soviet Russia makes the management of production a technical problem and not a business problem. It grants to those charged directly with the responsibility for production, relief from the typical business man's problems of buying, selling and negotiating contracts on a competitive price basis. It demands from them reduction in the cost of production, through the efficient utilization of the resources put at their disposal. It alters the whole conception of profits. Profits in Soviet Russia are of two different kinds. In the first place there may be a planned profit. In the second place there may be an operating superprofit or a loss.

In the U. S. S. R. the similarity of the function of profits to that in this country ends when we say that a profit balance may be an indicator of efficiency and a means of capital

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accumulation. The present directors of Russian industry do not think primarily of the profits of any one industry, but rather of a profit balance of large segments of the economic life. The development of a particular type of enterprise is governed by general considerations of social policy, but in general capital is not invested in an enterprise that is not expected to pay its variable expenses.

Profits are not assumed to belong to the industry or plant in which they are made. They appear in the first instance as a credit balance on the books of the State Bank for the account of the enterprise. Of this profit a variable percentage, once reported as ten per cent, at another time as twenty per cent, is used for what is called the "cultural benefit" of the workers in the profit-making industry. This may mean housing construction, kindergartens or nurseries, community kitchens, clinical facilities or any other form of community service. Ten per cent is withdrawn by the state as a tax on profits. Twenty per cent goes to increase the working and fixed capital equipment of the industry. The balance goes into the general budget, and may be allowed to the particular industry, may go to offset losses incurred elsewhere, or may cover expansion in some other field.

A loss in any single year may be carried forward, in which case it is offset against profits in succeeding years. But permanent loss is not contemplated. If the loss is cumulative, the enterprise cannot continue to get short term credit from the State Bank and the debit must be made good by an advance of capital from the Bank for Long Term Credits (*Prombank*). Moreover, if the loss is cumulative, "they must take measures." The loss may be due to inefficiency of management, in which case a fairly peremptory change is made. But it may be due to the fact that the technical equipment, the quality of the raw materials or the character of the labor supply is such that profitable operation cannot be expected of the management. In that case the weak point is attacked. It may finally be due to impossibly low selling prices.

A large part of profits is used to pay for new capital equipment. Current purchasing power in Russia arises from the

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wage payments, etc., made in producing both capital goods and consumers' goods. If the general program of production continued without profit, prices would be lower but incomes would be the same. This surplus income, part of which must be withdrawn from the current market for consumer goods and saved—i.e., used to pay for the capital equipment constructed—might be taken by taxation or loans. But, as every private corporation knows, it is needlessly expensive to offer stockholders the alternative of reinvesting or currently spending the full amount of the earnings. Part is retained as compulsory saving. The situation is not one whit different in the U. S. S. R.; this part of profit is compulsory saving.

In the second place profits in the U. S. S. R. are a poorly disguised progressive income tax. Workers are paid, there as here, on a piece-work basis. Skilled workers get more than unskilled. Technicians get salaries that run as high as $300 or $500 a month. But an income of $500 a month does not have ten times the purchasing power of one of $50. In the first place rent, irrespective of quarters, figures out at about ten per cent of the income. For this segment of the income $50 equals $5. Of the remaining income about $45 goes to pay for a minimum amount of necessities, rationed at prices which render this sum adequate to somewhat more than sustain life. The exceptional technician may therefore have about $400 a month left with which to buy the things that we ordinarily associate with such an income. Part of this he must spend in the inflated private market to supplement his ration. But when he turns back with any balance to state stores or coöperatives for the nonessentials, he finds the prices also inflated—inflated not because of competitive buying but because of price fixing. There is no shortage of wine and perfume. Any man who has the price may buy. With silks it is the same. But if we think of bread costing 7 cents and silk socks 75 cents as a normal ratio, in Russia the ratio may be 1 to 20 or 25. Wines at controlled prices cost four times as much as in Poland. In effect therefore the price structure of Russia leaves the $50 income more or less untaxed and reduces the $500 one indirectly to a value roughly equivalent

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to $200 in the American price structure.[1]

IV. The Conflict of Economic Interests in the Planned Economy

The Soviet planned economy must concern itself with the allocation of productive resources among various competing uses. It does not eliminate the basic conflicts of economic interest between the different parts of the community—the conflict between labor and management, the conflict between producer and consumer, between borrower and lender. The plan is the means of bringing these conflicts to a focus.

The conflict in the case of labor has already been discussed. That between producer and consumer may be illustrated by a conflict which took place last year between the textile industry and *Centrosoyuz*. The coöperative organizations regarded cotton textiles as too expensive. The industry submitted its costs. *Narcomtorg*, the Commissariat for Trade, which had initial jurisdiction, said that the costs must be cut. The textile industry felt that this could not be done, that the industry must be allowed reasonable latitude, and appealed to the Party Congress. *Narcomtorg* was sustained. The directors of the textile industry were faced with a mandate that they regarded as impossible of execution. Efficiency was increased in the plants and wastes were cut by the transportation of cotton in closed rather than open cars. The order was made good. We were told that without the order the industry would have proceeded as before. Undoubtedly in many cases the results are less gratifying. But in an economy where private profit does not exist, improvement is achieved at least in part through the "unreasonableness" of the demands of central authority.

A similar case with reference to prices is the conflict of interest between the representatives of the farming point of view and that of the consumers, over the price of wheat. It

[1] We do not wish to give the impression that this figure is more than approximate. The study of the exact effect of this tax would be fascinating but extremely complicated. The figure used in the text was questioned as too low by a Russian to whom the manuscript was submitted, though he states that the principle is correctly represented.

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has been pointed out that there is a single great grain-buying organization in Russia, *Khlebocenter.* This organization is forbidden by law to sell grain to anyone except the central milling and storage organization, *Soyuzkhleb.* This latter organization is the sole seller of grain to the representative of the consumer, *Centrosoyuz,* and the export monopoly, *Khleb-export. Centrosoyuz* enters into a yearly contract with *Soyuzkhleb* to buy bread for domestic consumption, and their contract is approved by the Commissariat for Trade (*Narcomtorg*).[1] The price, being of immense importance for the whole Russian economy, is fixed by the Council of Labor and Defense, which however may have before it opposing views presented by *Centrosoyuz,* wanting the lowest price for the consumer, and *Soyuzkhleb,* which wants the best price for the villages and the State Farms. In this statement we have assumed that *Soyuzkhleb* represents the interest of the producer, but it may be that the real conflict between producers' and consumers' interests is one step earlier in the process of marketing, namely in arranging the terms on which *Khlebocenter* sells to *Soyuzkhleb.* In either case this vital price is fixed by political authority after hearing the views of the opposing economic interests, on grounds of national policy.

Another example of the way in which the Government of the U. S. S. R. judges between conflicting economic interests is afforded in the case of raw cotton. Last year the Government of Turkestan came before the All-Union Council of People's Commissars and forcefully represented the interests of its peasantry in having the price of cotton fixed as high as possible. Obviously the textile industry and more particularly the coöperatives wanted a low price. Both the latter were represented in *Narcomtorg,* which in the first instance fixed the price of cotton, but could not impose its will upon the cotton-growers without appeal to a higher authority.

There is a broad conflict of point of view between those interested in the maximum amount of capital accumulation and those interested in the maximum immediate production of consumable goods. Broadly speaking the Supreme Economic

[1] Under the new distribution of functions, it is probably now *Narcomsnab.*

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Council is forced to drive for capital accumulation. It is charged with the development of Russian industry. Ranged against this point of view are a group of consumer interests. This is the background of the clash of the right deviation, led at one time by Tomsky, Bukharin and Rykof.

All through the Russian economy there is provision for the settlement of these differences by the overriding authority of the central Government. The discipline of the Communist Party and the strength of the Government make the system work.

Perfection can never be attained under the Russian system of planning. The plan is itself a weapon to force change; it is not merely drawn to meet existing conditions. At times it leads to impossible demands and to arbitrary assumptions. These must break down in some cases. The point can be illustrated by the attitude of one administrative authority who was commenting on the breakdown in coal production in the Donetz Basin last summer. It occurred because the authorities had not allowed for the tendency of workers to return to the village at harvest, a phenomenon as old as Russian cities. He said, when we asked him why this had not been allowed for in the plan: "In planning we do not float with the current. We do not make peace with tradition. We are making a plan with a will. The exodus from the Donbas is to be fought (it would be "fought" in Russia, though elsewhere it might be "met") by a change in the conditions of housing and food. We are not slaves of tradition. If miners left the mines in the summer before the revolution, it is no reason why we should allow for it now."

A plan with a will! This is the spirit of the Russian economy that distinguishes it from all others today. Elsewhere men talk of a rational organization of industry, but none of our Western discussion has yet involved the concept of purposefulness. It may not be necessary in advanced countries. It is fundamental to Russian upbuilding.

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THE PRUSSIAN BUREAUCRACY IN THE EIGHTEENTH CENTURY[1]

THE uniqueness, the extraordinary strength but also the weakness, of modern Prussia lay in the fusion of the economic and military power of its nobility with the order, system and efficiency of its bureaucracy. The combination of these two basic elements of the Prussian state warded off the rising tide of the strongest currents of nineteenth-century liberal thought and ceased to be a decisive factor in Prussian politics only with the Revolution of 1918. What-

[1] The older Prussian literature is concerned more with the juristic than with the functional aspect of Prussian administration in the eighteenth century. This is notably true, in spite of its title, of J. Isaacsohn, *Geschichte des preussischen Beamtentums* (Berlin, 1884); also of C. Bornhak, *Geschichte des preussischen Verwaltungsrechts* (Berlin, 1885), vol. II, and C. Bornhak, *Preussische Staats- und Rechtsgeschichte* (Berlin, 1903). These general works must be considered antiquated today. See G. Schmoller's criticism, *Jahrbücher für Gesetzgebung und Verwaltung,* vol. X, p. 244. Entirely juristic in treatment are the brief studies by Hubrich, "Grundlagen des preussischen Staatsrechts," *Verwaltungsarchiv,* vol. XVI, pp. 389-496, and the brief summary by F. Giese, *Preussische Rechtsgeschichte* (Berlin, 1920). Useful for the structural aspects of the Prussian administration of this period, though not written with complete command of the best materials, are the introductory chapters of the two studies by Ernst v. Meier, *Französische Einflüsse auf die Staats- und Rechtsentwicklung Preussens im 19. Jahrhundert* (Munich, 1908), pp. 3-127, and *Die Reform der Verwaltungsorganisation unter Stein und Hardenberg* (Munich, 1912), pp. 1-110. A brief but unsatisfactory introduction is G. Schmoller, *Preussische Verfassungs Verwaltungs und Finanzgeschichte* (Berlin, 1921). Of fundamental importance for the years immediately before and after 1740 and based on complete command of the best archive materials is the volume by O. Hintze, *Behördenorganisation und allgemeine Verwaltung in Preussen beim Regierungsantritt Friedrichs II., Acta Borussica* (Berlin, 1901), vol. VI, part 1. The writer of this article, which deals chiefly with the years from 1740 to 1786, is deeply indebted to Professor O. Hintze for his generous, patient and thoughtful assistance in the study of these materials in Berlin. The principal source for the following study is the excellent documentary publication begun by B. Schmoller and continued by O. Hintze: *Acta Borussica, Die Behördenorganisation und die allgemeine Staatsverwaltung Preussens im 18. Jahrhundert,* vols. I–XII (Berlin, 1894-1926) [hereafter abbreviated *A. B.*]. The last volume ends with the year 1763. For the period from 1763 to 1786 the *Geheimes Preussisches Staatsarchiv* has been consulted wherever possible.

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ever judgment one may eventually pass on the Prussian army as an instrument of social organization and discipline, no one conversant with the evolution of modern Prussia can fail to see that the Prussian bureaucracy was for many decades the most creative force in Prussian history. Established in the first quarter of the eighteenth century by Frederick William I, under Stein and Hardenberg this bureaucracy not merely reformed itself but adapted the Prussian state to the conditions of modern life, and in the first half of the nineteenth century played a leading rôle in Prussian politics.

At no time, however, in the entire course of its history did it perform services of greater importance for the future of the Prussian monarchy than in the second half of the reign of Frederick the Great. Under the guidance and inspiration of this enlightened autocrat, the Prussian bureaucracy contrived to produce, on the economic resources of what was then the least prosperous section of Germany, a public revenue which was greater than that of Russia on the accession of Catherine II, with a *per capita* burden of taxation no greater than that of Austria and considerably less than that of France.[2] It managed to support the army of a first-rate power on the resources of a third-rate state and at the same time accumulated a large reserve in the public treasury; it opened up the mining industry in Silesia and in the Ruhr district; it carried through a project for extensive internal colonization in urban and rural districts which added upwards of 300,000 inhabitants to the sparsely populated provinces of Prussia, thus making in 1786 every fifth inhabitant a colonist; it did much to introduce the improved British agricultural methods among the backward Prussian peasantry; it liberalized the craft guilds and adapted them to the needs of capitalistic industry while it endeavored to execute, and not altogether without success, a comprehensive plan to industrialize an almost wholly agricultural country. While in Great Britain, Hanover and Saxony the civil service was still controlled by the system of official patronage, Prussia

[2] G. Schmoller, "Historische Betrachtungen über Staatenbildung und Finanzentwicklung", *Jahrbücher für Gesetzgebung und Verwaltung*, vol. XXXIII (1909), pp. 1 *et seq.*

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was remarkably free from it; nor was it possible here to purchase or inherit an office as in France. After 1770 and even before, no Prussian official was appointed to office without having undergone a special training and passed several examinations. Prussian civil servants were neither very numerous nor were they handsomely paid, for to *travailler pour le roi de Prusse* had become the byword of Europe.[3]

The intense pressure and severe discipline under which the Prussian bureaucracy labored is comprehensible only as a natural reaction against the intense pressure that arose from the insecure and precarious position of Prussia among the Powers of Europe. Without his army the rôle of the Prussian monarch in the international politics of Europe would have been utterly negligible. To support the growing financial needs of this army was the pivotal function of the Prussian bureaucracy. All improvements in administrative methods and the wider scope and greater intensity of bureaucratic activity were made to serve the supreme end of producing a maximum public revenue. In the process this bureaucracy became a remarkably effective administrative instrument, if one which, with the progress of the century, it became steadily more difficult to manipulate from a common center. The Prussian bureaucracy of the eighteenth century was not without glaring defects, but whatever its shortcomings, it was superior, *mutatis mutandis,* to the German bureaucracy of our own day; indeed, it may be said that, whereas in post-war Germany the larger private business corporations possess a more highly rationalized and economical bureaucratic organization as compared with the German state, in eighteenth-century Prussia the situation was reversed.[4] The civil servant of Frederick II was still capable of instructing the Prussian merchant in more efficient methods of accounting, just as he was more active in searching for markets than the manufacturer himself.

[3] In 1925 one out of every 46 inhabitants of Germany was a civil servant while in eighteenth-century Prussia it was only one out of 450. I. D. Richter, *Finanzmaterialien* (Berlin, 1789), vol. III, p. 32.

[4] For an analysis of post-war German administration see O. Aust, *Die Reform der öffentlichen Verwaltung* (Berlin, 1928), pp. 123, 142.

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In its architectonic structure the Prussian bureaucracy possessed certain peculiarities not found in the more familiar French system. In the French bureaucracy the modern monocratic official, the ministerial *chef de bureau* in Paris and the *intendant* in the provinces, predominated in all branches of the administration, while in Prussia all administrative activity was gathered in boards or "colleges", as they were called, which subjected the individual civil servant to group discipline and collective responsibility. Not only were there no Prussian equivalents for the French ministries in 1740, but the four members of the supreme Prussian administrative body, the General Directory, exercised identical functions in different provinces in such a manner that each was dependent upon the other three for decisions even in his own department. In provincial affairs the French *intendants* had their Prussian counterpart in the seventeen provincial chambers (*Kriegs- und Domänen-Kammern*), where the principle of group solidarity was observed with even greater consistency than in the General Directory. In this Prussian bureaucratic mechanism authority was more effectively centralized than even in France, just as there was a greater uniformity in the application of administrative maxims, partly because of the incessant personal intervention of the Prussian monarch in all branches of the administration, partly because the organization of the Prussian civil service into collective boards made supervision and control from above at once more difficult and more necessary. Not only did these provincial chambers exercise less discretionary authority than the French *intendants,* but they were bound by elaborate written instructions which embraced the entire range of their activities and provided an invariable rule for every administrative act.[5] Doubtless, the French bureaucracy offered

[5] The *commission* issued to the French *intendant* contained only a general description of his duties, not as in the case of the Prussian instructions, given to the provincial chambers, a detailed *règlement* which was to serve as a permanent guide of official conduct. The *intendant* Tourny, on going out of his *généralité* after his appointment, had first to correspond with his subdelegates to learn the exact nature of his duties. M. Lhéritier, *L'Intendant Tourny* (Paris, 1920), vol. I, p. 243. The French Comptroller-General not infrequently encouraged his *intendants* to take the initiative in the reform of local administration. Thus Comptroller-General Orry felicitated Tourny on the initiative he had taken on several occasions. Lhéritier, *op. cit.*, vol. I, p. 62.

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freer play for personal capacity and initiative, as can be seen by recalling the careers of such reforming *intendants* as Le Pelletier de Beaupré, Aubert de Tourny, Turgot and Trudaine. In Prussia, however, where feudal forces continued more vital and where consequently it was more necessary to combat the feudal conception of office, administration was systematically calculated to eliminate all personal influence whatever, first by fettering the individual civil servant to a collective board, then by subjecting both to bureaucratic regulations of imperative and canonical authority. The Prussian bureaucracy was dominated less by personalities than by the *règlement*. Of the two bureaucratic systems the French was technically sounder, although the Prussian bureaucracy was not less efficient and perhaps more active.[6]

The greater uniformity of bureaucratic procedure and administrative maxims characteristic of the Prussian system was admirably suited to the undifferentiated feudal and agrarian society of the heart of Prussia, east of the Elbe river. It harmonized but poorly with the free industrial communities of the Rhenish provinces, where Prussian bureaucrats were perpetually at daggers' points with the native population.[7] It was in the region east of the Elbe that this bureaucratic hierarchy with its General Directory, provincial chambers, local commissaries (*Steuerräte*), and municipal magistrates became the veritable *ecclesia militans* of the Prussian monarchy, amalgamating heterogeneous provinces into a compact unit and disciplining the people to the needs of a Spartan military state. In a profounder sense than was true of the army, the Prussian bureaucracy served as the loadstone which attracted and absorbed into the service of the monarchy

[6] If de Tocqueville pronounced laxity of execution the chief characteristic of French administration under the old régime, he was touching on a general evil of administration in the eighteenth century. A. de Tocqueville, *France before the Revolution* (London, 1872), p. 84. It was less conspicuous in Prussia, though certainly not unknown, because persistent financial pressure did not permit it and because in the course of the century Prussian bureaucratic control devices became more effective.

[7] To be sent to the Rhenish provinces was for the Prussian official equivalent to being exiled to Siberia. *A. B.*, vol. X, p. 456.

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the most industrious and intelligent section of the population, thus binding their interests closely to those of the state. Like another Society of Jesus, here was an organization in which military discipline, absolute subordination, and centralization were complete. Prussian municipal magistrates could neither adopt a budget nor lodge a complaint without the consent of the local commissary, and he, not equipped with independent competence, reported all matters to the provincial chamber, which body, having made a preliminary decision, finally referred the matter to the General Directory. But this complicated meshwork of boards and individual officials had the supreme function of collecting data, correlating facts, drawing up balances of trade or contracts for leasing the royal domains, preparing budgets and drafting statistical reports, in other words of supplying the autocratic king, the highest civil servant and only real man of action in the realm, with the indispensable information on which to base his decisions.

Never did absolute monarchs take their autocracy more seriously than the Hohenzollerns of the eighteenth century. Mirabeau could truthfully say that the Prussian government had become for the science of despotism what Egypt was to the ancients in search of knowledge.[8] Prussia was and remained the classic country of monarchical autocracy. Any study of the Prussian bureaucracy as an operating concern must begin with the central bureau or "cabinet", as it was curiously called, of the Prussian king.

I.

Prussian administration in the eighteenth century was rooted in the fiction that the king knows everything, that he can do everything and does everything that is done. From Frederick William I onward all matters which were decreed by the higher administrative bodies appeared in the form of royal orders issued by the king in person.[9] The artisan to whom the royal

[8] Comte de Mirabeau-Mauvillon, *Die preussische Monarchie* (Leipzig, 1793), vol. I, p. 87. I quote from the German edition because it has the advantage of the copious notes of Mauvillon, who collected most of the material for Mirabeau.

[9] M. Hass, "Aktenwesen und Kanzleistil im alten Preussen", *Forschungen zur Brandenburgischen und Preussischen Geschichte*, vol. XXII (1909), p. 52.

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guild statute was a solemn guarantee of his economic security; the peasant who received a marriage license; the merchant entrepreneur who was exempted from the payment of duty on importing a specified article, all of them received their privileges from the king. When on Sunday the village pastor read a patent or an ordinance from the pulpit, it was the king who addressed the assembled congregation, even when the document in question had been issued only by a subaltern authority.[10] This fiction was not merely an administrative device which had taken possession of the popular imagination. Frequently it was no fiction at all. For the bitter quarrel with the obstructionist feudal estates of the numerous provinces of the kingdom had forced on the Prussian monarchs the settled conviction that Prussia could thrive only under an autocracy, that only a king who in person attended to diplomacy, military affairs, finance and current administration could effectually concentrate all the resources of his kingdom and apply them at the point where they were most urgently needed. Frederick the Great was convinced that the large independence of the French ministries was wholly unsuited to Prussia, for under a monarch like Louis XV it inevitably resulted in "lack of system, because each minister possessed a system of his own."[11] He was convinced that the Prussian king, to be able to construct and follow a rational system of politics, must be the actual head of all the departments of the government.[12] It was quite in keeping with this principle that in Prussia administrative tasks were allotted to the various departments in such a manner that the king was literally the only person in the kingdom whose purview embraced the entire

[10] This created a curious confusion which the uninitiated reader of Prussian administrative documents will find perplexing, as in the following document: "Wir Friedrich Wilhelm etc. finden Eure Anträge zweckmässig, indessen können wir darüber nicht beschliessen bis darüber an unser General Direktorium berichtet sein und dieses nach vorhergegangener Communication an unser Justiz-Departement die Befehle unserer Höchsten Person eingeholt haben wird." This document was written by a provincial chamber using the name of the king.

[11] *Testament politique (1768)*. G. B. Volz, *Die politischen Testamente Friedrichs des Grossen* (Berlin, 1920), p. 190.

[12] *Testament politique (1752)*. Volz, *op. cit.*, p. 77.

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field of administration, domestic, military and foreign. The system was so conceived that the king alone came into daily and intimate contact with all the branches of administration. The full burden of coördination, therefore, could not possibly fall into any other hands save his own. Even in purely domestic affairs the General Directory, with entire provinces and departments withdrawn from its jurisdiction, could not serve as an adequate modern central coördinating body. No one but the king possessed complete information of the total public revenues of the kingdom.[13] But this was equally true of other branches of the administration. It is obvious that under these circumstances Prussian ministers could not become, as was the case in France, vehicles of opinions and programs, but must content themselves with the more modest functions of royal clerks who attended to such administrative bagatelles as the king chose to surrender to them. Autocracy could not have been carried to a greater extreme.

Unlike the French king, the Prussian monarch did not make his decisions in the council chamber in the presence of his assembled ministers. As a matter of fact the Prussian king rarely saw his ministers. Apart from the annual "review of ministers", usually held in the middle of June, at which the king met his ministers to approve the budgets and to discuss with each one the affairs of his department, the king saw them perhaps once or twice a year.[14] He remained in Potsdam,

[13] A. F. Riedel, *Der Brandenburg-preussische Staatshaushalt* (Berlin, 1856), pp. 76 *et seq.*

[14] On these "reviews of ministers" we have only a few scattered sources from ministers themselves. "Denkwürdigkeiten des Ministers v. Schulenburg". *Forschungen zur Brand. u. Preuss. Geschichte,* vol. XV (1902), p. 411. There is one by Minister v. Hagen, K. H. S. Rödenbeck, *Beiträge zur Bereicherung und Erleuterung der Lebensbeschreibung Friedrich Wilhelms I. und Friedrich des Grossen* (Berlin, 1836), p. 383. After having discharged the accounts of the previous fiscal year and arranged the various budgets for the ensuing year (there were many budgets as there was as yet no unified central treasury system), the king employed the occasion for explaining his administrative policies. Special conferences with individual ministers were held only on extraordinary occasions, although they became more frequent after the Seven Years' War as any one can see who has examined the "Minüten" in the *Geheimes Preussisches Staatsarchiv.* Schulenburg reports that in 1781 he had several conferences with the king every week. *Forschungen zur Brand. u. Preuss. Geschichte,* vol. XV (1902), p. 410.

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immured in his royal chambers, while his ministers labored in Berlin, and no official, not even a minister, ventured to appear at the royal palace without a written leave of the monarch. All transactions were negotiated in writing. They sent him their reports, memorials and requests, and the king replied by means of cabinet orders. It would have been difficult to improve on the order and regularity that prevailed in the royal cabinet.[15] Every evening when the courier from Berlin arrived, five secretaries arranged the letters according to the nature of the business and placed each group into a sealed portfolio to be laid before the king early in the morning. One of these secretaries, Mencken, has left us a description of Frederick the Great at work in his cabinet:

> He began his work early in the morning with foreign affairs; he had already read the deciphered dispatches of his ambassadors and now he dictated to his secretary an answer to every dispatch, whether important or not, from the first letter to the last, often several pages. Thereupon he dictated to another secretary answers to all letters on domestic affairs, to reports of the chambers on accounting and finance, and to the reports of the military inspectors on the army. Some of these he had already decreed by marginal notes. While this was being done, another secretary prepared a brief extract of all less important letters and petitions from private persons. This was then placed before the king who decreed each item in a few words.[16]

This done, the secretaries retired to write out the orders in full. Late in the afternoon these completed cabinet orders were once more brought to the king for examination and

[15] For the organization of the royal cabinet in the days of Frederick II see Baron v. Diebitsch, *Specielle Zeit- und Geschäftseinteilung König Friedrichs II* (St. Petersburg, 1802); also Schöning, *Friedrich II. Über seine Person und sein Privatleben* (Berlin, 1808); C. W. v. Dohm, *Denkwürdigkeiten meiner Zeit,* vol. IV (Lemgo, 1814-1819), pp. 93, 670 *et seq.*; H. Hüffer, *Die Kabinetsregierung in Preussen und Johann Wilhelm Lombard* (Berlin, 1891), p. 44; O. Hintze, *A. B.,* vol. VI, part 1, p. 59. On the origin of this royal cabinet, M. Lehmann, *Hist. Zeitschr.,* vol. LXIII (1889), pp. 266-271.

[16] Mémoire of Mencken. Rep. 92 Friedrich Wilhelm II, B. VII, a4. *Geheimes Preussisches Staatsarchiv.*

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signature. They were always brief, pointed, stripped of superfluous verbiage, quite unlike the unctuous verbosity of the documents which officials sent to the king.

The chief merit of this system was its rapidity. All matters were dispatched forthwith, if circumstances did not require a special investigation. Since everything was done by letter and the king's mind worked with extraordinary speed, there was no reason for delay.[17] It should be remembered that the military order and precision of the king's life in Potsdam was conducive to hard work, that he had with him neither wife nor family, that there was neither court nor French court etiquette, that he never observed a religious holiday and never was distracted by undesired interruptions.[18] There was something like puritanical zeal in his unremitting application to work. His secretaries and ministers testify to the tyrannical discipline which he exercised over his mind and body.[19] With punctilious regularity he disposed of everything as soon as it came to him, sometimes issuing as many as thirty or forty cabinet orders on a single day, and rarely did he postpone any matter from one day to another. Nowhere in the entire Prussian bureaucratic system was there such impeccable order as in the cabinet of the king. Just as each hour of the day, each week and month, so the entire year was arranged in such a manner that no business crowded on the heels of another. A calendar on his table indicated not only the duties of each day and week, but informed him when all outstanding reports, replies, and other matters fell due.[20] Even when in May, June and August of every year the monarch regularly embarked on his inspection journeys through the provinces

[17] See the comments in one of the most profound contemporary studies of the king by Christian Garve, *Fragmente zur Schilderung des Geistes, des Charakters und der Regierung Friedrichs des Zweiten* (Breslau, 1798), vol. I, p. 156.

[18] Garve. *op. cit.*, vol. I, p. 158.

[19] Mémoire of Mencken cited above and also the interesting diary of Minister von Heinitz printed in *Forschungen zur Brand. u. Preuss. Geschichte*, vol. XV (1902), p. 440.

[20] I. D. E. Preuss, *Friedrich der Grosse* (Berlin, 1832), vol. I, p. 343. (Anonymous), *Observations sur la constitution militaire et politique des armées de sa Majesté Prussienne* (Amsterdam, 1778), p. 35.

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his secretaries and correspondence accompanied him.[21] Any official who addressed himself to the king could expect an immediate answer. He could even calculate, according to his distance from the royal residence and the time required by the post, the very day when he was to receive his answer. If he did not receive his answer then, none would be forthcoming at all.[22]

This extreme concentration of administrative leadership and control required not only a monarch of great capacity for work, but a man of large intellect and good judgment, for the slightest relaxation or error at the center was sufficient to drive legislation and initiative imperceptibly into the bureaucracy. To be sure, Frederick II was one of those rare persons who are always equal in capacity if not in temper. He was the essence of practicality and good sense. He knew his kingdom as an open page. Yet it was impossible for even so industrious a man as Frederick II to read all the lengthy reports and documents which accumulated in his cabinet. He was compelled to order his ministers to send reports of no more than two folio pages, stating briefly the reasons pro and con. At the beginning of every document sent to the royal cabinet there was a succinct summary of the matter dealt with to serve as a means of rapid orientation. The king was forever threatening officials with disgrace and dismissal if their reports were not drawn up with the utmost brevity, an insistence which had the result that the official might daily spend hours of futile labor in the aggregate not on what action he must take—that was probably simple enough—but on what phraseology would pass the barrage of royal criticism. These reports which came to him from all administrative authorities were not always intelligible to him. He frequently found it necessary to order his civil servants never to employ a Latin or German bureaucratic jargon which he did not understand.[23]

[21] E. Pfeiffer, *Die Revuereisen Friedrichs des Grossen* (Berlin, 1904); C. Dohm, *op. cit.*, vol. IV, p. 626; A. F. Büsching, *Der Charakter Friedrichs der Zweiten* (Halle, 1788), p. 28.

[22] I. D. E. Preuss, *op. cit.*, vol. I, p. 345.

[23] This difficulty was increased by the fact that he was not completely master

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But these were minor difficulties easily simplified by ingenious devices in which every bureaucracy is fertile. The basic difficulty of the system was of another sort.

The main anxiety of the Prussian monarch must be to maintain his autocracy in the face of enormous difficulties which came from crowding affairs of such variety and complexity into his cabinet, affairs which often required a thorough investigation and an expert technical knowledge of detail. If under the modern democratic system a bureaucracy with its special training, expert knowledge, and continuous professional experience often exercises a decisive influence on legislation, even in matters of finance, in spite of parliaments and legislatures, its influence was no less subtle and strong even under an exceptionally intelligent and active king such as Frederick the Great, not to say a king who had a conscience in the matter of attending in person to the entire range of administrative problems. While the king resolutely insisted that all impulses must proceed from him alone, he incessantly dealt with officials whose specialized functions and mastery of every detail in their circumscribed field gave them much the same advantage over the king which the modern expert has over the dilettante legislator. The king's withdrawal from personal contact with his officials to the secrecy of his royal cabinet, where he was at leisure to make his decisions alone, was no real solution of the problem. The escape from the person of the expert made the monarch all the more dependent on the documents which the latter sent him.

Instinct and reason might have convinced another man that the system required a degree of autocracy which was impossible, yet Frederick II was inflexible on the principle that neither his ministers, nor the General Directory, nor the provincial chambers could be allowed any initiative as independent administrative bodies. He wrote to the provincial chamber of Breslau in 1783, "You have no right of initiative whatever. All matters must be reported to me directly. The

of the German tongue and by the circumstance that the "Cameralistic" jargon which was used by Prussian officials was heavily spiced with Latin phrases which were "pure Arabic" to him. *A. B.*, vol. X, p. 385.

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General Directory must do so likewise."[24] After the Seven Years' War the volume of public business swelled to such unprecedented proportions that no single person, however industrious, could inspire and control all measures which were necessary, but the king still firmly held to the principle of exclusive royal initiative and control.

Frederick II was shrewd enough to realize that his bureaucracy was not an impersonal machine which could be manipulated by a capricious master, but a body of men with opinions, passions and habits hardened by routine, a body over which he could maintain his ascendency only by the severest military discipline. To retain that ascendency he assumed the studied pose of infallibility. As a matter of principle he never revoked an order and never openly admitted an error. Frederick managed his bureaucracy in the spirit of the general who places obedience above wisdom. If serious mistakes did occur, he was convinced that the continuity of uniform measures would soon remedy the harm caused by such intermittent errors. Without prompt and obedient response to royal orders the king's autocracy must become illusory. When Frederick suspected a minister of dissent, he brusquely declined all the latter's recommendations, even though he might later advance them as his own.[25] To criticize the king's measures openly was to court disaster. The unhappy Ursinus, one of the most brilliant officials in the General Directory, paid heavily for some mildly critical observations on the king's commercial policy by being condemned to push the wheelbarrow in the Spandau prison.[26] It was inevitable that a king

[24] R. Stadelmann, "Preussens Könige in ihrer Tätigkeit für die Landeskultur, Friedrich der Grosse", *Publicationen aus den Preussischen Staatsarchiven* (Leipzig, 1882), vol. XI, p. 236. This was an injunction which he repeated frequently but not frequently enough to indicate that it was generally violated. *A. B.*, vol. X, p. 110.

[25] Diary of Minister v. Heinitz, *Forschungen zur Brand. u. Preuss. Geschichte*, vol. XV (1902), p. 444; W. Schultze, "Ein Angriff des Ministers von Heinitz gegen die französische Regie in Preussen", *Forschungen zur Brand. u. Preuss. Geschichte*, vol. V (1892), p. 195.

[26] I. D. E. Preuss, *Urkundenbuch zur Lebensgeschichte Friedrichs des Grossen* (Berlin, 1834), vol. III, pp. 92-103. The case has been discussed by O. Hintze, *Die preussische Seidenindustrie im 18. Jahrhundert* (Berlin, 1892),

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so jealous of his authority should sometimes give instructions to his ministers on matters concerning which he should have listened to them. Wöllner, not always the most enlightened critic of Frederick II, is correct in stating that Frederick frequently gave orders on matters of detail on which it was impossible for him to be thoroughly informed.[27] On such occasions the king might suspect the incompleteness of his information, but he was convinced that the ignorance of others was greater.[28] This royal intervention in technical matters not infrequently disturbed the orderly process of administration, for which officials were nevertheless held responsible.[29]

Against such disturbing interference the only effective weapon was to resort to concealment or even to deception, of course always within the prudent limits of safety. Ministers practised it and the General Directory also on occasion had recourse to it. Minister von Schulenburg, who in his memoirs avers that it was useless to attempt to conceal anything from the king because sooner or later he discovered almost everything,[30] was himself a past master in the art of concealing matters which might provoke a confusing cabinet order if the king were informed of them.[31] When this same Schulenburg

vol. III, pp. 167-8. Frederick sent Ursinus to the Spandau prison on the charge of corruption although the charge was not substantiated. What angered him was the "impertinent relation" which the General Directory had sent to him, of which Ursinus was the author. He rightly suspected that the General Directory opposed his tariff policy, but he could not explain this opposition except on the basis of corruption or insubordination. Not wanting to send his ministers Hagen and Blumenthal to prison, he had to use Ursinus as a scapegoat. Minüten, Rep. 96, B 68. *Geheimes Preussisches Staatsarchiv.*

[27] Wöllner's lectures to Frederick William II on important state affairs. April 28, 1786. Rep. 96, 208C, Acta. *Geheimes Preussisches Staatsarchiv.* H. Hüffer, *Die Kabinetsregierung in Preussen,* p. 60.

[28] Garve, *op. cit.,* vol. I, p. 158.

[29] B. Rosenmüller, *Schulenburg—Kehnert unter Friedrich dem Grossen* (Berlin, 1914), p. 297.

[30] Denkwürdigkeiten Schulenburgs, *Forschungen zur Brand. u. Preuss. Geschichte,* vol. XV (1902), p. 402.

[31] Rosenmüller, *op. cit.,* pp. 118, 251, 261. In 1785 v. Schulenburg wrote to Sandoz Rollin, the Prussian envoy in Madrid, that he should not send to the king specific information on the Silesian linen trade with Spain because, "il est impossible que le Roi entre dans le détail de leur gestion (la société maritime

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was appointed president of the provincial chamber of Magdeburg in 1770 he began to report faithfully the precise quantities of grain which were exported from this province each month. He promptly received from the General Directory the advice that henceforth he would do better to choose more adroitly the materials upon which he reported to the king, for the latter was inclined to be too hasty in prohibiting the exportation of grain entirely, much to the harm of the province.[32] But there were instances of systematic deception which could not be justified on the ground of uninformed royal intervention. Officials sometimes resorted to it when they encountered insuperable practical difficulties, to report which would only provoke a storm of royal criticism of their incompetence.

The most notorious offender in this glib and oily art, the man who deceived the king more than any other, was the Silesian minister Hoym, of whom Frederick II once said that he was really the only official who fully understood the Prussian monarch.[33] This nimble-witted minister understood not only how to omit from his reports items which he knew to be unpleasant to the king but did not scruple to falsify facts. He added 20,000 to a Silesian population report because he knew that Frederick liked high population figures.[34] In spite of the king's express orders to settle only foreign colonists in Silesia Hoym permitted his underlings to use native Prussian inhabitants for this purpose, insisting only that the colonists along the principal road over which the king ordinarily traveled on his inspection journeys must be foreigners.[35]

et administration de bois de construction), et que si Sa Majesté trouve dans les rapports qu'on Lui fait des réflexions isolées sur ces articles, il peut facilement être determinée à donner des ordres qui troublent la marché générale." *Ibid.*, p. 394.

[32] *Ibid.*, p. 21.

[33] H. Fechner, *Wirtschaftsgeschichte der preussischen Provinz Schlesien* (Breslau, 1907), p. 21.

[34] E. Pfeiffer, *Revuereisen Friedrichs des Grossen*, pp. 95-96.

[35] J. Ziekursch, *Hundert Jahre schlesischer Agrargeschichte* (Breslau, 1915), pp. 171-173; E. Pfeiffer, *op. cit.*, p. 99. On one occasion the king forbade the

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Under Hoym's régime in Silesia an incident occurred which is without parallel in the history of the Prussian bureaucracy in the eighteenth century. It was one of the central features of Frederick's agrarian policy to secure for Silesian peasants hereditary tenures of their holdings. The energetic Schlabrendorff, Hoym's predecessor in Silesia, had caused much bad blood among Silesian nobles in a vain effort to carry out this measure. No sooner had Hoym assumed control of Silesian affairs than all trouble suddenly ceased. He announced that now serfs held secure hereditary tenures and that the matter was permanently settled. But in 1785 a special commission sent to upper Silesia reported to the king that almost nowhere did serfs possess hereditary titles to their holdings. To satisfy the angry king Hoym was compelled to exhibit the strongest indignation, for suddenly it became apparent that the reports of the rural commissioners (*Landräte*) had deceitfully misrepresented the facts for years; that, while the orders of the king had been executed on paper, things in reality remained as before.[36] And this was the province where administration proceeded as smoothly, as Frederick said, as a piece of music.[37] Indeed, Hoym understood the king only too well.

This silent contest between the monarch and his bureaucracy thus took on different aspects. Sometimes it was the result of official inertia and reluctance to deviate from the established bureaucratic routine; sometimes it was prompted by an effort to forestall or render harmless confusing orders which issued from the cabinet of the king; again it might be the result of an official propensity to interpret royal orders generously enough to suit either the circumstances or bureaucratic con-

provincial chambers to collect perquisites from private citizens, allowing them only the stipulated fees for the documents which they wrote for such people. Hoym forbade his subordinates to use the word "perquisites" and ordered them henceforth to employ only the word "fees". But everything remained as before. J. Ziekursch, *Preussische Jahrbücher*, vol. CXXX, p. 300.

[36] Dessmann, *Geschichte der schlesischen Agrarverfassung* (Strassburg, 1904), pp. 5 *et seq.*

[37] *A. B.*, vol. IX, p. 668.

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venience. Rarely was it the result of actual corruption.[38] This contest never developed into open bureaucratic opposition, and on the single occasion when consistent opposition was secretly attempted, the king discovered and scotched it at once.[39] But the contest was none the less real and involved more or less the entire bureaucratic hierarchy. It was even rumored that in the persons of the king's private secretaries it entered into the royal cabinet itself. Contemporaries had an overwhelming sense of the influence and importance of these men.[40] Living constantly at the center of affairs, they were informed on everything that happened. They frequently had access to information which never reached the king himself. A shrewd secretary who worked with the king day after day for decades and knew all the latter's limitations and behavior patterns, could, on occasion, place the facts before his master in such a manner as to influence his decision; he could, to be sure at some risk, withhold a letter entirely or delay informing the king of it until he could take advantage of a propitious moment; he could in writing out a cabinet order which the king had turned over to him for expedition either moderate its language or give it a deadly edge.[41] We find these secretaries corresponding freely with ministers and

[38] Among Frederick's ministers there was but a single instance of corruption during his entire reign. Görne was guilty of malversation of funds. H. Friedberg, "Friedrich der Grosse und der Prozess Görne", *Hist. Zeitschr.*, vol. LXV (1890), pp. 1 *et seq.*

[39] This happened when Frederick in 1766 called into existence the French *Régie* to collect the excise tax throughout the kingdom, thus taking this branch of the service out of the hands of the old bureaucracy. At first this bureaucracy offered a consistent silent resistance to the new *Régie*. J. Ziekursch, *Preussische Jahrbücher*, vol. CXXX, p. 283.

[40] L'Abbé Denina, *Essai sur la vie et le règne de Frédéric II* (Berlin, 1788), pp. 419, 423 *et seq.*; Scheffner, *Mein Leben wie ich es selbst beschrieben* (Leipzig, 1823), p. 194; C. W. Dohm, *Denkwürdigkeiten meiner Zeit* (Lemgo, 1819), vol. IV, p. 114; A. F. Büsching, *Der Charakter Friedrichs des Zweiten* (Halle, 1788), p. 214.

[41] K. H. S. Rödenbeck, "Beitrag zur Beurteilung der Stellung der Geheimen Kabinetsräte unter Friedrich dem Grossen", *Beiträge zur Bereicherung und Erleuterung der Lebensbeschreibung Friedrichs der Grossen* (Berlin, 1836), p. 337; H. Hüffer, *Kabinetsregierung in Preussen* (Berlin, 1891), p. 46; H. Hüffer, *Forschungen zur Brand. u. Preuss. Geschichte*, vol. V (1892), p. 156.

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other officials, offering them good counsel on drawing up documents and approaching the king with proper caution. Ministers in turn sought their favor with a cautious solicitude and often requested them to suggest to the king matters which they did not venture to propose themselves.[42] It is quite probable that now and then their intervention thwarted the intentions of the king. But to do so consistently without discovery was impossible. In his long reign Frederick the Great punished but a single secretary because of irregularities on the nature of which we are not accurately informed.[43]

[42] Ministers were sometimes compelled to correspond with these private secretaries to have cabinet orders interpreted. Timid officials often asked secretaries to suggest measures to the king and not infrequently with success. When in 1772 Hertzberg desired the newly annexed portion of Poland to be called West Prussia, he submitted his request to Secretary Galster. See M. Bär, *West Preussen unter Friedrich dem Grossen*, vol. I (Leipzig, 1911), p. 84. When Domhardt, the president of the provincial chamber in West Prussia, needed additional officials for his chamber, he communicated his wish to Galster. M. Bär, *West Preussen, Quellen*, vol. II (Leipzig, 1911), No. 201, No. 652. Minister Massow of Silesia kept up a continuous correspondence with Secretary Eichel, asking for advice in dealing with the king. He invariably called upon Eichel before appearing before the king in Potsdam. *A. B.*, vol. X, p. 134. See also the voluminous correspondence between Secretary Stetler and Magusch, the chief of the government tobacco monopoly, printed in K. H. S. Rödenbeck, *Beiträge zur Bereicherung* etc., pp. 343 *et seq.* There is no doubt that Secretary Eichel, although incorruptible, exercised greater influence than even a minister. Many officials, among them a minister, owed their appointment to him. R. Koser, *Preussische Staatsschriften aus der Regierungszeit Friedrichs II* (Berlin, 1877), vols. I, XIX.

[43] We do not know the reason why the king sent Secretary Galster to the Spandau prison. Denina tells the story that Galster and his wife sold grants of petitions sent to the king. L'Abbé Denina, *Essai sur Frédéric II* (Berlin, 1788), p. 424. Denina probably had the story from A. F. Büsching, *Charakter Friedrichs der Zwitten* (Halle, 1788). But it should be noted that Galster, who was released from Spandau after a year, brought suit for libel against Büsching and compelled the latter publicly to disavow the charge for want of evidence. See K. H. S. Rödenbeck, *Beiträge zur Bereicherung* etc., p. 339. Thiébault regards Galster as a martyr of autocracy. Thiébault, *Mes souvenirs de vingt ans de séjour à Berlin ou Frédéric le Grand*, vol. IV (Paris, 1805), pp. 130-136. But the testimony of Thiébault, who usually repeats every piece of irresponsible gossip, is worth very little. We know only that Minister von Zedlitz and others expressed their sympathy for Galster in writing. Thus we do not know whether Galster was innocent, or, if he was guilty, what was the nature of his offense. Some of these private secretaries became wealthy men on small salaries. But this was not necessarily the result of corruption. They

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To imagine that Frederick was oblivious to these tendencies in his bureaucracy would be both to mistake his suspicious nature and to underrate his active intelligence. He cherished the inveterate belief that his officials were bent on deceiving him, deceiving him often, as he once admitted, with the best intentions.[44] He inherited this distrust from his Hohenzollern ancestors. The Great Elector had already written in his political testament, "The more civil servants, the more thieves." With Frederick II, however, this distrust became an integral part of the bureaucratic system. Unreserved confidence he reposed in none of his ministers. He kept them in a perpetual state of uncertainty as to what he thought of their honesty and capacity, and one could easily duplicate the instance of the minister who received a letter from the king in fear and trembling expecting his immediate dismissal but received instead the Order of the Black Eagle. It was especially subordinate officials whom he regarded with ineradicable distrust. He once wrote to the provincial chamber of West Prussia that among a hundred officials you could always hang ninety-nine with a good conscience, for if a single official was honest it was much.[45] He spent much time and thought on devising adequate guarantees for the accuracy of reports and reliability in the faithful execution of his orders. Some measure of guarantee he found in the annual journeys through his kingdom which he undertook with great regularity from May until August of each year. During these months he

received gifts from petitioners both before and after the king's decisions. Because their life was one of slavery the king also often gave them costly gifts. Count Esterno, the French ambassador in Berlin, reported to Paris in 1786 that ministers paid pensions to these secretaries to fetch decisions in accordance with their desires. See Franzisco Agramonte, *Friedrich der Grosse, Die letzten Lebensjahre* (Berlin, 1928), p. 55. It is impossible to control the accuracy of this statement. It is quite possible that this may have been the case, especially during the last months of Frederick's lifetime when he was almost continuously ill. But as long as the king was in good health he was never easily duped. His suspicious nature would soon have discovered any dishonesty in a secretary with whom he associated every day in the year.

[44] Taken from a conversation with his Minister v. Horst. G. B. Volz, *Gespräche Friedrichs des Grossen* (Berlin, 1919), p. 139.

[45] M. Bär, *West Preussen, Quellen*, vol. II, No. 275.

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proceeded from province to province, examining officials and interviewing private citizens, personally inspecting public enterprises and inquiring into the condition of the peasants, and consulting with burgomasters, merchants and manufacturers.[46] In this way he attempted to make himself in some sense independent of written reports and control in person the execution of his orders.[47] So imbued was he with the necessity of these journeys that he commended them to his successor as an indispensable means of controlling his officials.

Yet all this did not alter the fact that he was chiefly dependent on written reports and that attempts to control the bureaucracy must proceed from the royal cabinet itself. To prevent bureaucratic hoodwinking the king employed a number of safeguards. He frequently struck upon the expedient of committing the task of reporting on any particular piece of business to two or three different officials none of whom was aware that others were engaged in the same mission.[48] When

[46] These journeys usually followed definite routes, although from time to time they were altered to surprise officials. In any case they always brought him to the provincial capitals, Magdeburg, Breslau, Cüstrin, Stargard, Graudenz, and Stettin. After the Seven Years' War he never visited Königsberg because of his dissatisfaction with the conduct of East Prussians during the war. We have detailed reports of these journeys from the rural commissioners and local commissaries, burgomasters, and other officials. These reports have been admirably exploited for Silesia by E. Pfeiffer, *Devuereisen Friedrichs des Grossen, besonders die schlesischen nach 1763 und der Zustand Schlesiens von 1763-1786* (Berlin, 1904), pp. 33-41.

[47] A typical illustration of the manner in which the monarch controlled his officials on these journeys may be found in the following document which the king sent to the chamber in Graudenz, June 6, 1780: "Sr. M. haben auf der jetzigen Herreise die heisige Provinz gar nicht in dem Zustande gefunden wie Höchstdieselbe billig erwartet. In drei Jahren sind Sie nicht hier gewesen und in der Zeit hätte allerdings Vieles gebessert sein müssen. Allein die Kammer hat Nichts getan, um Nichts sich bekümmert, sondern alles so hingehen lassen und Jeden so wirtschaften lassen wie er gewollt, woraus denn nichts anderes als die grösste Unordnung entstehen konnte." Then follow specific instructions as to what he expected them to do and a declaration that he would hold them to the strictest accountability or dismiss each one of them. Graf Lippe-Weissenfels, *West Preussen unter Friedrich dem Grossen* (Thorn, 1866), p. 148.

[48] When in 1766 merchants and manufacturers complained of lack of labor and of markets he ordered three separate investigations by three different officials. Minüten, Sept. 26, 1766, Rep. 96, B. 39. *Geheimes Preussisches Staatsarchiv.*

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he did not wholly trust an official he charged an underling with secret supervision.[49] To control his ministers, he regularly corresponded with the presidents of the provincial chambers, and to assure himself of the veracity of the latter he often dealt with the individual members of the provincial chambers.[50] By this continuous correspondence with officials and their subordinates, by controlling ministers through their subalterns and subordinates through their equals, the king tapped extraordinary sources of information which, besides the ordinary channels of information to be discussed presently, acquainted him with everything he seriously desired to know. Now and then shady facts might be cloaked by an impenetrable smoke screen of bureaucratic verbosity. Now and then the king might even become the unconscious dupe of his bureaucracy. But the fact remains that sooner or later the king discovered almost everything.[51]

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[49] In 1755 he ordered the president of the Breslau chamber secretly to supervise Massow, the minister of Silesia. He promised to send the president duplicates of all the cabinet orders which were normally sent to Massow alone. The president was to report to him every instance of Massow's failure to enforce the cabinet orders sent to him. *A. B.*, vol. X, p. 225. In 1768 he secretly instructed Brauchitsch, the president of the chamber in Cüstrin, to keep a watchful eye on Minister v. Brenckenhoff. The former was secretly to examine Brenckenhoff's accounts to make certain that funds were actually being spent for the purpose for which they were appropriated, and report his findings to the king. Minüten, October 1, 1768. Rep. 96, B. 70. *Geheimes Preussisches Staatsarchiv.*

[50] Distrusting Auer, the president of the chamber in Magdeburg, who made some difficulties about buying up grain for the royal magazines, the king ordered a secret agent to canvass the region about Magdeburg to verify Auer's report. Minüten, Nov. 2, 1766. Rep. 96, B. 69. Another case of this sort: Minüten, June 13, 1766. Rep. 96, B. 69. *Geheimes Preussisches Staatsarchiv.*

[51] This article is to be concluded in an early issue of the POLITICAL SCIENCE QUARTERLY.—ED.

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CAN EUROPE UNITE?

THE opening of the twelfth Assembly of the League of Nations also marks the second anniversary of the launching of the idea of a United States of Europe. It may be safely asserted that among the projects devised since the war for the cure of Europe's ills, none has received greater attention or more serious consideration than the idea of a federal union of European states as conceived by M. Briand. In some quarters it has been received with enthusiasm, in others with skepticism; but in either case, this possibility of salvaging the Old World from the grave crises which hold the whole continent in their grip, was from its inception subject to a close analysis on the part of all interested governments. Witness to this the replies of the European governments to the French memorandum of May 1, 1930, in which the guiding principles for such a federation were set forth.

Besides governments, public opinion also is deeply interested in this plan; and students of political science have followed its course with close attention. It may now be appropriate to consider the intrinsic value of this project in the light of its two years' history and to inquire whither the path on which Europe then entered in seeking the solution of her troubles is likely to lead, and whether the methods chosen are conducive to the end sought for. Such an inquiry seems to be particularly timely and justified by the anxiety with which the turn of affairs in Europe is generally regarded, an anxiety which increases proportionately with the gravity of the crises—economic, political, social and, perhaps above all, mental and moral. How grave and substantial the reasons for this anxiety must be is best proved by the fact that they have induced the government of the United States to take an active hand in the adjustment of Europe's troubled economic conditions in spite of the policy of aloofness which this government has heretofore adopted toward European affairs since the repudiation of the Treaty of Versailles.

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It is indeed difficult to estimate the value of the plan of a European federal union on the face of the record. The realization of a union among European states is admittedly a most difficult thing. It must be approached with utmost care and caution. The procedure must be exceedingly slow. The two years which have elapsed since M. Briand submitted his plan to an assemblage of the representatives of twenty-seven European governments, members of the League of Nations, cannot be considered in any way sufficient to produce tangible results.

Such results are indeed meager. The European Committee, called into being by an Assembly resolution of September 17, 1930, and formally constituted as the "Committee of Enquiry on the European Union" on September 23, 1930, has held three sessions altogether. The first formal session merely elected M. Briand as President, and—in order to demonstrate the intimate connection of the proposed organization with the League of Nations—Sir Eric Drummond, the Secretary General of the League, as Secretary. The two subsequent sessions, held in January and May, 1931, respectively, were largely occupied with questions of organization and procedure, and rather general discussion of problems which would call for consideration. The only positive step taken thus far by the committee was the appointment, at the January session, of a subcommittee for the study of the agricultural crisis in central and southeastern Europe. This subcommittee prepared, on the basis of a careful study of the problem, and with the help of the Financial Section of the League Secretariat, a draft convention for the establishment of an international institute for agricultural credits. The convention was actually signed by thirteen states before the adjournment of the committee's May session and it may be hoped that its operation will bring at least partial relief to the disastrous agricultural depression which seriously threatens the economic structure of the whole of southeastern Europe.

It should, perhaps, be regarded as another positive step that the European states not members of the League of Nations (Russia, Turkey and Iceland) were also invited to the com-

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mittee's last session and were permitted to participate in the discussions on a more or less equal footing.

Here, however, the record of constructive achievement ends. Although the very able and profound theoretical discussions of organization and procedure were important in the development of mental attitudes, the time spent upon them was disappointing and disproportionate in view of the urgent demands for the solution of practical problems facing Europe.

It may well be questioned whether there are handicaps inherent in this scheme of a federal union, or in the line of approach suggested in the French memorandum of May 1, 1930, apart from the admitted difficulties inherent in the state of affairs of Europe—handicaps which may explain the rather meager progress made toward the realization of this project. For both the replies of the European governments to the French memorandum and the discussions which took place in the committee indicate that the statesmen there present were aware of the gravity of the situation, saw the precipice toward which Europe is going and realized the necessity of concerted action. It seems, therefore, appropriate to seek the causes of this alarmingly slow progress not so much in the purpose of the scheme, which, although difficult to realize, is by no means an unrealizable dream; nor in the intelligence and understanding of those who have been called upon to handle this tremendous task; but rather in the methods by which they have set out to reach their goal.

If one studies carefully the Briand plan and its evolution during these two years, and views the results in the proper background of an unbiased and judicious interpretation of postwar European history, one is led inevitably to the conclusion that the plan was foredoomed to failure because of the preconceived precepts which were accepted as its guiding principles. In other words, the path on which salvation is now sought does not lead in a new direction, but is merely a new road going in the same direction in which Europe has been marching since 1919. Because of these preconceived ideas, the United States of Europe would be built on a basis wherein certain factors of essential importance, having a very real

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bearing on the development of a community interest among European nations, have been disregarded, whether purposely or unintentionally is here immaterial.

It will be remembered that the French memorandum of May 1, 1930, suggested three fundamental principles on which the building of the proposed union should proceed: (1) In general, the economic problem should be subordinated to the political problem. (2) The independence and sovereignty of the participating nations should not be impaired. (3) The economic organization of Europe should be directed toward "a *rapprochement* of the European economic systems effected under the political control of the Governments acting in concert." [1] While these principles were not accepted unequivocally by the participating governments, and the course of events has not always permitted a rigorous adherence thereto, their enunciation alone was sufficient to delay the liquidation of the European crises. For these principles, if closely scrutinized, will prove the truth of the suggestion made above that they represent preconceived ideas which have weakened from the very outset the plan of M. Briand.

The subordination of the economic to the political problem was suggested on the assumption that,

> All possibility of progress on the road to economic union being strictly governed by the question of security, . . . it is essential to bring on to the political plane at the outset the constructive effort tending to give Europe its organic structure . . . the economic sacrifices to be made to the commonwealth should find their justification only in the development of a political situation permitting confidence between peoples and the true pacification of minds. . . .

Several of the governments, in their replies to the French memorandum, took issue with this assumption. While it is obvious that political problems have an important, frequently an overwhelming influence on economic questions, nevertheless the relation between politics and economics is one of inter-

[1] *League of Nations Document* No. A. 46. 1930. VII. (VII. Political 1930. VII. 4.)

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dependence rather than one of subordination. The predominance of the one over the other is determined by, and varies according to, circumstances. The subordination of economics to politics, stated as a general principle in the French memorandum, was doubtless dictated by the complex of "security"—a complex which has dominated French policy in all of its manifestations since 1919. The word "complex" is used intentionally, because the concept of "security", as the term is now used and understood in European chancelleries, is irrational and unreal. It has led France in the past thirteen years to the commission of more grave diplomatic blunders than have been indulged in by any nation in the course of history. No matter what the issue may be, it is stated in terms of "security". As the word is used in connection with the European union, in the discussions around the League of Nations and in post-war diplomatic correspondence, "security" means that France will not be attacked again.

This complex of "security" is also responsible for one of the fundamental ills of Europe, the system of alliances. To insure "security", France has concluded political alliances supplemented by military conventions with Belgium, Poland, Czechoslovakia, Rumania and Yugoslavia—a network which spreads uncertainty and creates the fear of an armed conflict throughout the continent.

"Security", therefore, means the subordination not only of economics but also of disarmament—a vital issue, indeed a condition precedent to the solution of all economic ills—to political issues. It means, in fact, the subordination of any and every issue to the certainty that France is safe: safe from Germany, from Italy, and also, if you please, from Great Britain. "Security", therefore, must be guaranteed before progress can be made in any other field. Putting it bluntly: built on this conception, the whole scheme of a European union cannot be regarded but as a device intended to safeguard the "security" of France.

The "security" complex, then, is at least a part of the reason why factors of great importance have been disregarded. It has been conceived that the European union is to be built

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on the basis of the *status quo;* and it has evidently been forgotten that the dissatisfaction of peoples with this *status quo* is perhaps one of the most potent causes of Europe's material and moral decline. It has been forgotten that the present structure of Europe was born of the peace treaties; in other words, it was born of hatred, vengeance, deception, ignorance, selfishness and, above all, of complete lack of vision and statesmanship. For the stipulations which were conceived in the atmosphere of Versailles, St. Germain, Trianon and Neuilly, one should not judge the framers of those treaties too severely. The framers of the European federation scheme should have realized, in the atmosphere of Geneva, separated from the hysteria of 1919 by more than a decade, that certain fundamental errors and substantial injustices still exist, and are not conducive to the development of a community of interest and of a sentiment of solidarity. Witness to this is the rapidly increasing burden of armament—a burden much heavier today than it was before the World War. Added to the burden of war costs and the costs of economic depression—the burdens of "peace"—arms expenditures aggravate the situation beyond any conception. One may declare one's belief in peace and one's intention to promote and uphold it by all means. But the Danzig Corridor, the Saar Valley, the reparation payments unbalancing the economic life of nations, and the persecution of national minorities cannot be obliterated by pious declarations and speeches. They must be *dealt with.* A change of front is a necessary prerequisite of the peace of mind and the feeling of solidarity on which alone a federation can be built.

The second principle propounded in the French memorandum seems also to hinder rather than to promote a federal union. No change of front has taken place here either: the conception of sacrosanct sovereignty and political independence which we have inherited from Bodin is sought to be preserved in its integrity. But the political theories of the Middle Ages do not fit our age. The life of the international community has changed a great deal since Bodin's time; and one should not expect a static theory to square with the dynamic forces of modern civilization. As a matter of fact, nations do

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alienate parts of their sovereignty in every treaty they conclude with each other whereby they agree to do or not to do certain things. It is well to remember that nations have already accepted substantial limitations on the exercise of their sovereignty by signing the Covenant of the League of Nations and the Pact of Paris. Unless nations are willing to continue on this path and are ready in the interest of the international community to accept further limitations—limitations which must of course apply equally to every member of this community whether great or small, powerful or weak, rich or needy—then there is no use to talk about a federal union, no matter how loose the link may be.

The third principle enunciated in the French memorandum looks harmless enough at first sight. But, by implication, it also offers an impediment to real success. The *rapprochement* of the European *economic* systems under the *political* control of the governments is another emanation of the "security" complex. It means that the governments must retain a firm grip on every endeavor to remedy the situation. Nothing should be said, much less done, which would be likely to take out or replace one single brick from the structure of Europe, lest the whole building tumble. It was stated in the memorandum that,

> After the adoption of the general programme of European co-operation, the Committee might entrust the study of certain subjects to special technical committees, making sure that there exist conditions such as will enable the work of the experts always to be kept under the control and direct inspiration of the political element emanating directly from the Governments which remain jointly responsible for the prosecution of their international undertaking and which alone can ensure success on the political plane where it finds its supreme justification.

In other words, the experts intrusted with the investigation of problems such as tariffs, or industrial or financial issues, or transportation, should not be at liberty to state such conclusions as might be reached on the basis of scientific research. They should not report the results of the science or calling from whence they were chosen. There should be no frank, square

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facing of *facts;* there should be no fearless sincerity in the dealing of nations with one another. These experts should be the mouthpieces of governments and their conclusions and recommendations would have to be adjusted or, better, subordinated to political exigencies—to the complex of "security".

The pressing and urgent problems of life have corrected somewhat the course of conduct set forth in the French memorandum. For instance, the turn of affairs in Europe from bad to worse impelled M. Briand to suggest at the January session of the European Committee that the economic question should first be considered — quite contrary to his original point of view. But such corrections were not sufficient to obliterate the fact that the European union scheme started on a beaten path, instead of seeking its objective on a new road. Following M. Briand's suggestion, the committee listened with close attention to a report made by Mr. Colijn, the President of the Economic Conference held under the auspices of the League in November, 1930, setting forth the results of this conference. Incidentally, his *exposé* may be regarded as the ablest and most fearless analysis of the European situation made in the past decade; at the same time it is also one of the most discouraging pictures ever drawn of our much-praised civilization. His report made a deep impression on the members of the committee. Yet a considerable part of the seven meetings of the January session was devoted to the problem of whether or not European states not members of the League should be invited to participate in the proposed union; and, if so, when and how they should be invited. Not that this matter is unimportant. But only a student of constitutional law could find gratification in the speeches interpreting, analyzing and defining, with the finest shades of distinctions, exclusions and inclusions, the substance and the extent of the powers of the European Committee in the light of the Assembly resolution which called it into being.

It seems that in order to bring about a union or a federation of European states, a complete change of approach in dealing with international problems is necessary. It seems that unless the statesmen and the peoples of Europe (and indeed of all the

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world) face facts frankly and fearlessly; unless they are ready to take cognizance of grave errors committed in the past; unless they are prepared to correct such errors even at some sacrifice; unless they recognize that our completely changed civilization requires a completely different method of dealing with the intricate relations between nations, and are willing, consequently, in good faith and to the best of their ability, to substitute the technique of scientific dealing with facts for the old technique of proceeding on the basis of theories, doctrines and precepts dictated by political or emotional reasons and having frequently no connection whatever with the realities of a steadily moving civilization—unless these fundamental and indispensable changes in mental attitude are brought about in one way or another, there can be little doubt that this European union will bring just as much disappointment as did the League of Nations.

The League was established with the very same ends in view which inspired M. Briand to propose a union of European states. The League has done unquestionably a great deal for the cause of peace. In certain fields, such as labor and health, its influence has in some cases substantially contributed to bring about saner, more reasonable conditions and, therefore, to making life more bearable for peoples in different parts of the world. Moreover, in the administrative sphere the foundation of international government has been laid by the establishment of the Secretariat of the League, a smoothly working, effective and reliable organization with competent persons at their posts—an organization of which any foreign office might well be proud. Again, by the periodic meetings of its permanent organs, by the calling of conferences on various problems, by the establishment of technical committees, the League has inspired the evolution of a new technique for the handling of international relations which is a most valuable gift to modern diplomacy. In view of the atmosphere in which the League started on its career, it is surprising that it has as much to its credit as it has.

However, as an effective instrument of peace, the League, it must be admitted frankly, has fallen far short of expecta-

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tions. The fault, it should be stated emphatically, is not with the League. Failure can be attributed exclusively to those preconceived ideas which have made impossible, or at least exceedingly difficult, any progress in substantial, really important issues having a direct, immediate bearing on the pacification of Europe: issues wherein real or alleged interests of the powers are measured not in the terms of the future toward which nations are bound, but in the terms of the past from which we have asserted we wish to depart. With these mental patterns and under the influence of the war complex, the League started out as a mutual insurance company for the Allied and Associated Powers. In the course of years, this tendency has become less marked, in that the representatives have made an effort to be polite even to those who happened to be on the other side of the fence. With this slight turn, the League has become a school of politeness: a League of Mutual Admiration where frank words are seldom spoken and where everyone is exceedingly careful to circumvent the truth as diplomatically as possible, for fear that hearing it may offend the sensitiveness of some one. But the League, in spite of the progress which has been made, is still an instrument in the hands of those who dominate Europe with their might; it is still an agency for settling great disputes between small states and small disputes between great ones.

There is a close analogy between the League of Nations and the proposed European Union. The organization of the latter was closely modeled on that of the former. Unless we throw off the impediments which stood in the way of the League to prevent it from becoming what President Wilson conceived it to be, the European Federation, too, will become a sort of farce, a jest thrown into the face of nations carrying with increasing difficulty and reluctance the heavy burdens imposed upon them by the war and, still more, by the peace. The tide of discontent and despair is rising more rapidly than is believed. It is time for those responsible for the conduct of Europe's affairs to stop, to reflect, and to alter their course.

FRANCIS DEÁK

COLUMBIA UNIVERSITY

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REVIEWS

Europe, The World's Banker: 1870-1914. By HERBERT FEIS. Published for the Council on Foreign Relations by the Yale University Press, New Haven, 1930.—xxiii, 469 pp. $5.00.

Dr. Feis's excellent book is a much-needed contribution in a field which most economists have hitherto been either unable, or unwilling, to study with the appropriate care. It offers an account both of the pre-war European foreign investment itself (chiefly that of Great Britain, France and Germany), and of the relations between world finance and diplomacy in the pre-war period. Of these two phases of the general problem, the economists have already given a good deal of attention to the first, but the second they have in largest part ignored, leaving the questions involved to the rather differently oriented studies of the historians. This gap Dr. Feis's scholarly and judicious investigation undertakes to fill.

The book itself really falls into two main divisions. The introductory and much shorter section presents the bare record of the foreign investments of Great Britain, France and Germany from 1870 to 1914—amounts involved, directions of the investment, methods of handling the transactions, and the like. The second section, which contains the chief contributions of the book, examines the relations between international movements of investment capital, governmental policy, and actual political events, in the lending and borrowing countries themselves.

Throughout the period studied, Great Britain was the world's largest foreign investor. By 1913, her long-term holdings abroad amounted to some 18,300 million dollars, whereof nearly half was in the British dominions and colonies; and the income from these holdings had reached roughly 1,000 millions a year. But the outward flow of British capital was far from uniform in size. From 1885-89 to 1900-04 the annual volume of new foreign investment was *declining*, steadily and quite rapidly. Then it expanded abruptly, increasing nine-fold in the next decade, and by 1913 was almost equal in size to the income from prior British investments abroad. The volume of new French foreign investment, on the other hand, increased steadily until the years just before the war, and showed its most marked expansion at almost exactly the time,

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around the turn of the century, when British operations were at their lowest ebb. By 1913, the French holdings amounted to about 8,700 million dollars. Similarly Germany's foreign holdings grew rapidly and fairly steadily until just before the war; and by 1914, Dr. Feis estimates them at between 5,250 and 6,000 million dollars (though the present reviewer believes a slightly higher figure more accurate).

But it is in its studies of the connections between foreign investment and world politics, and of the motives for foreign investment, that the most interesting and most novel parts of Dr. Feis's work lie. To summarize a complex group of facts in a sentence or two, he finds that the economist's traditional picture of the underlying nature and motivation of international movements of investment capital is not adequately borne out by the historical evidence. The economist has usually treated capital as a comparatively free agent; except insofar as the barriers of ignorance and inertia hold it in check, he has thought that it tends to move to whatever employment and whatever regions will give it, risk for risk, the highest rates of return. That is, in the traditional view the motivating force in the international movements of investment capital has been supposed to be the private pursuit of private individual profit. Dr. Feis finds that this view, when applied to pre-war European foreign investment, is quite at variance with the actual facts. Most conspicuously in France, least conspicuously in Great Britain, but to a marked extent in all of the lending countries, direct or indirect governmental control of the directions and amounts of foreign investment was exercised, and was used as a major tool of governmental diplomacy and political control abroad. While the profit motive did not disappear, it often played a comparatively minor part in determining the course of financial events.

Moreover, access by the borrowing countries to the European capital markets was frequently made conditional on the granting of essentially political concessions or pledges; and in nearly all cases the participation of foreign interests in the direction of the borrower's economic life eventually proved distasteful. Disputes, jealousies, and the manipulation of financial power to further national political ambitions abroad were the almost inevitable consequences of this injection of political considerations into the process of foreign investment. The pre-war international debts, though in some directions they did much to promote the peace of the world, clearly did much in other directions to disturb it.

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Dr. Feis has done a great service in bringing these facts and conclusions to general attention; he has cast light not only on the problems of the historian and the political scientist, but also on those problems which the economist has usually regarded as primarily his own. One's chief regret is that he has not tried to bring his facts down to date, nor to apply his conclusions to the acute problems of the present day. The only major defect in the book is one of omission; that invaluable aid, an index, is conspicuous by its absence.

JAMES W. ANGELL

Mercantilisme et protectionnisme. Essai sur les doctrines interventionnistes en politique commercial du XVe au XIXe siècle. By J. MORINI-COMBY. Paris, Félix Alcan, 1930.—xx, 217 pp. 30 francs.

This study of economic policy seeks to establish the thesis that interventionist thought possesses a vital unity of point of view, so that its history displays a progressive evolution of a positive system of doctrine. The author finds three distinct stages in this development. The general position taken does not differ essentially from that of the German nationalists, but the mode of presentation is different. List is the point of departure rather than Schmoller, and the approach is analytical rather than descriptive. The author's thesis is built around the distinctions drawn between "mercantilism", "protectionism" and "economic nationalism". These distinctions are not wholly new, but taken in their entirety they possess some elements of novelty.

Mercantilism is identified with the policies generated by the desire to control the movements of the precious metals in a way favorable to the state. It is recognized that the better thinkers were in no wise guilty of confusing money with wealth, but they were definitely committed to the notion that the welfare of the state is dependent upon foreign trade. The domestic market and industry were considered almost exclusively with reference to their influence upon trade. Protectionism is characterized by its solicitude for industry, with primary reference to the private interests of business men and wage-earners. Nationalism is distinguished by its unbiased solicitude for industry and commerce, with primary reference to the problems of adjustment faced by the modern state under changing conditions of technique and disturbances in the balance of political influence. Developed nationalism would not accept the crude notions

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of self-sufficiency present in earlier writers, whether applied to a national area in a single climatic zone or to an empire with wide diversity of regions. The modern nationalist is thus described as a realist; he proposes no single end of policy, he contends merely that the state must play a part in the definition of the plane of international competition and in the adjustment of the affairs of its citizens to their appropriate place in the world.

In the preface by Alfred Zimmern, it is suggested that the essence of the new nationalism lies in the new problems of national security created by the relation of modern industrialism to war. The safeguarding of key industries has taken on an entirely new significance. The insistence upon a "liberal" policy at this date, he contends, would force a nation to "take the risks of peace".

There can be little doubt of the validity of the author's contention that interventionist doctrines contain substantial elements of unity. Too much emphasis has been placed in the past upon broad categories of reference, and too little regard has been given to the specific theses that constitute the primary elements in the movement of thought. In respect of the place of the state in economic affairs the author contributes little that is really new. He asserts that the nation is a primary factor in economic development, but, like the older nationalists, he fails to make any adequate distinction between the state as a corporation and the state as a geographical area. The outstanding figures in economic thought have never ignored the significance of the state in its corporate capacity, nor have questions of national security been really slighted.

The Liberal economists do deny that the state, as a geographical area, constitutes a natural or essential unit in the territorial division of labor. Only in so far as the territory of a state possesses intrinsic geographic unity does the state become a genuine basis for the territorial division of labor. Confusion arises because the territories of the leading nations possess some measure of geographic unity. But this relationship is fortuitous rather than necessary, and the real problems are revealed by the "hard" cases presented by the small buffer states, disputed regions such as Alsace-Lorraine, and above all by the nationalistic aspirations of the Poles, the Czechs and the Balkan peoples. The Liberal does not ignore political problems, but he contends that economic phenomena must be discussed with primary reference to geographic areas.

ABBOTT PAYSON USHER

HARVARD UNIVERSITY

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The End of Reparations. By HJALMAR SCHACHT. Translated by Lewis Gannett. New York, Jonathan Cape and Harrison Smith, 1931.—248 pp. $3.00.

Das Ende der Reparationen. By HJALMAR SCHACHT. Oldenburg, i.o.: Gerhard Stalling.—246 pp. Rm. 6.20.

Dr. Schacht claims that Germany was betrayed by the terms of the Armistice into believing that a fair and honorable peace would be secured. The United States "was strong enough to win the war, but not strong enough to establish peace according to her own ideas." The fact that the provisional German government was compelled by threat of arms and actual starvation of its people to sign the treaty is clear proof, in Dr. Schacht's mind, of the immoral and hence unsubstantial foundation upon which the present "peace" is based. The confiscation of German territory, colonies and property is characterized by the caption, "the bleeding of Germany." Clearly Dr. Schacht has not written in the careful vein of a financial expert engaged in a scientific task, but he hurls accusations and epithets as a man full of moral indignation.

The author's promise, in the early part of the book, that his later chapters will deal with economic rather than with moral and political matters is not fulfilled. After a brief explanation of the "transfer problem", Dr. Schacht relates one of the most astonishing stories in the whole history of international relations. This story is the real kernel of the book.

When the Paris Conference of Experts assembled in February, 1929, Dr. Schacht was present as leader of the German delegation. In the agreement among the participating nations it was clearly specified that the delegations to the conference were to be composed of independent experts, entirely free from leading strings of their respective governments. It goes without saying that such formal requirements are never practically attainable. Dr. Schacht, however, explains that he assumed the position of independent expert in good faith, and that he was given categorical assurance by the entire cabinet of Chancellor Hermann Mueller that he was free to act on his own initiative and as he pleased.

In Paris Dr. Schacht began a long period of indignant astonishment, with shocks of surprise following each other in rapid succession. In the opening days of the conference the President of the Reichsbank found that none of the other delegates was interested

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in learning from him anything about Germany's capacity to pay or the conditions set by the transfer problem. Instead of attacking these economic questions, the representatives of the European claimants began to make it clear that any great reduction of money annuities below the level set by the Dawes Plan was not to be considered. There also seemed to be a tacit understanding among them that a payment of between 2 and 2.2 billion marks a year should be demanded of Germany—a figure which apparently had been reached without any scientific researches into the matter. Then a rumor reached Dr. Schacht's astonished ears that Mr. Parker Gilbert, the Agent General for Reparations under the Dawes Plan, had stated in Berlin—unofficially, of course, but in official circles—that a final settlement of the reparations question could only be reached by Germany's acceptance of an annuity obligation of between 2 and 2.2 billion marks. Mr. Gilbert, in a conversation with Dr. Schacht, verified the rumor, and added that he had made the statement to responsible members of the German cabinet. Dr. Schacht, who says that he had never before heard of the matter, demanded information from his government, but Chancellor Mueller informed him merely that no member of the government could recall any specific conversation in which Mr. Gilbert had expressed this view. There followed other statements from the assembled delegates that the German cabinet already had agreed to accept an annuity obligation of around two billion marks. Dr. Schacht declares that he suffered great embarrassment from the apparent fact that the other delegates knew more than he of the disposition of the German government. The settlement proposal which had been drawn up by the German delegation was dismissed with scant consideration by the conference. Dr. Schacht says that he bore his humiliation, stayed until the end of the deliberations, and signed the agreement known today as the Young Plan, only because he feared that his withdrawal or failure to sign would cause the conference to collapse and any settlement to be effectually blocked.

Dr. Schacht detests the Young Plan. He believes that it was inflicted upon Germany partly because the German government was not strong enough to withstand it, but chiefly because of the designs of France. The French government maneuvered in the first place to make the Rhineland evacuation contingent upon the final settlement of reparations—thus bringing strong pressure to bear upon Germany to accept the difficult terms of the Young Plan. Because French manufacturers were finding it awkward to have Germany

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making large deliveries of goods on reparations account, almost all of the reduction of reparations payments from the level of the Dawes Plan occurred in "payments in kind." Finally, France arranged to have a large part of the reparations "commercialized," and the Young Plan closely geared to the Interallied debt settlements—all in order to make the obligations of Germany more binding. Thus the duly appointed representative of Germany shifts to international politics, but chiefly to his government, entire responsibility for an agreement to which his own name is signed.

The remainder of the book offers little that is impressive or new. Dr. Schacht relates how, in the creation of the Hague Protocol, he suffered new surprises—this time with reference to internal German politics—which led him to resign his office as President of the Reichsbank. Several chapters are devoted to denouncing the German government and the Social Democratic Party for extravagance, for blunders in financial affairs, and for "Marxian" proclivities. The author points out also that the "Paneuropa" plan, with its guarantees of present boundaries, is unthinkable from the standpoint of Germany. He contends further that the overcrowded condition in Germany makes colonial expansion a prime necessity. Throughout the whole work is reiterated the thesis that the Young Plan is a persistent menace to the economic and political stability of the entire world.

Why should Dr. Schacht have been so profoundly astonished at what occurred in Paris? Many people who had followed the preliminaries leading to the conference were confident that the European independent experts would be governed by political rather than economic considerations. I am told on good authority that newspaper men in Berlin knew of Mr. Gilbert's unofficial estimate of the terms to be expected by Germany. It is obvious that the Mueller cabinet could not answer directly Dr. Schacht's point-blank question. Why, then, such surprise? One answer suggests itself immediately. It is expected that Dr. Schacht will be a candidate for the German presidency in the next election. Many people in Germany regard Dr. Schacht's book as the preamble to his candidacy—as his declaration, at one stroke, of his antipathy for the Social Democrats, and his denial of any responsibility for the hated Young Plan.

If Dr. Schacht lends his support and authority to the Fascist cause, he places himself in a position where he cannot again disclaim responsibility. The position of Germany is not so bad but that it might be worse. Leaving punitive measures out of account,

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there is a grave economic danger which hangs over Germany by a fine hair. The German government, and also German banks and business concerns have borrowed from abroad more than two billion dollars in the form of short-time loans. Withdrawal of these credits would precipitate an economic catastrophe which is terrible to contemplate.

Dr. Schacht says that he was disappointed to find that politics, rather than economic science, ruled at Paris. He should not object, therefore, if a reviewer expresses disappointment, for the same reason, in his book.

HORACE TAYLOR

COLUMBIA UNIVERSITY

Population. By CORRADO GINI, SHIROSHI NASU, ROBERT R. KUCZYNSKI, and OLIVER E. BAKER. Chicago, University of Chicago Press, 1930.—ix, 312 pp. $3.00.

In this volume of Harris Foundation lectures for 1929 are brought together four of the most representative scholars who could have been found in demography and the related sciences. The four contributors are Dr. O. E. Baker, of the Department of Agriculture, distinguished as the foremost authority on the measurement of agricultural resources in this country, Professor Corrado Gini, of the University of Rome, President of the Central Statistical Institute of the Kingdom of Italy, Dr. Robert R. Kuczynski, of Berlin, a member of the Council of the Institute of Economics of the Brookings Institution at Washington, and Professor Shiroshi Nasu, of the Imperial University of Tokio.

The largest contribution is that of Professor Gini, which occupies nearly one-half of the volume. Gini frankly champions a belief in the cyclical rise and fall of nations as contrasted with mathematical concepts of the geometric increase of population. A note of scientific determinism pervades his treatment, yet it is so powerfully buttressed by the widest range of scientific data as to remain a challenge to all who enter the field of population theory for a long time to come. An ample bibliographical apparatus accompanies his text. Briefly summarized the thesis of the Gini lectures appears to be that a "smaller or larger ratio of the family stocks which have proceeded farthest along the parabola of evolution characterizes in substance the successive stages in the evolution of nations". It is not Neo-Malthusianism or deliberate avoidance of parenthood which causes a decline in the birth rate of the upper classes, at least in most

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cases, but a gradual diminution in the reproductive instinct, as distinguished from fecundity. His theory receives plausible support from many developments rather easily observable. It is not, however, an essentially pessimistic presentation. He regards this rapid replacement as what he calls a "providential mechanism for the elimination of those family stocks which have fulfilled the cycle of their evolution." And since the somatic cells, namely, those which do not multiply, generally far outnumber those which reproduce themselves, the "providential mechanism" operates smoothly. Of the human beings living at any given instant, Professor Gini calculates that anywhere from two-fifths to two-thirds will die without marrying; and of those who marry one-seventh to one-third will die without issue. "The generation which survives does not therefore descend from the whole of the generation which disappears, but only from a fraction thereof which varies, roughly speaking, from a maximum of one-half to a minimum of two-ninths." His computations lead him to the conclusion that fully three-fourths of the surviving generation is descended from a fraction which varies from one-eighth to one-third of the generation which disappears, while fully one-half of the survivors may be derived from a fraction varying from one-fifteenth to one-seventh of the preceding generation.

A great array of evidence is presented by Professor Gini in support of his theory of decay of generative instincts in nations, some of it historical and some statistical, drawn from such sources as the records of the first-births arranged according to the interval at which they have occurred after marriage. With reasonably fair allowances for disturbing factors, Professor Gini reaches the conclusion that percentages of childless marriages are increasing, and that conception in the first months of marriage tends to become less frequent. The decline in the birth rate cannot, in his opinion, be attributed primarily to the avoidance of parenthood.

In the different rates at which population increase is slowing up, Professor Gini sees the shadow of at least two great problems, first, the outcome of the difference in population pressure as between Eastern and Southern Europe and other countries, and secondly, the outcome of the general tendency among the peoples of European origin, whether now living in Europe or not, to decline more rapidly than the peoples of non-European origin. He sees no answer in the light of science to these questions. It would be of interest if space permitted to dwell upon many of the stimulating and suggestive *dicta* which are to be found in this part of his discussion,

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particularly what he has to say with regard to the trend of white and non-Caucasian birth-rates in the United States.

Professor Nasu's lectures are of considerable interest since the views of a scholarly Japanese on the subject of population trends today cannot but be instructive to the Western world. His lectures deal primarily with the contrast in conditions existing in the East and the West, although he is careful not to overstress the differences. Numerous interesting observations are to be found with respect to the relations between standard of living and his concept of overpopulation. He seeks to make a distinction between the East and the West by characterizing as "Marxian" the pressure of population in the West due to the proportional increase of fixed capital in comparison with circulating capital—that is, principally, wages—while the pressure due merely to the restricted area of the habitable land (or at any rate the inhabited land) he describes as the genuinely Malthusian overpopulation. Despite his effort to clothe his presentation in scientific language, one gets the impression that he is quite convinced that the population problems of the East now, or in the future, take their origin in natural conditions while those of the West found theirs in social and economic conditions. This belief crops up on various occasions, as for example, when he discusses the epic contest between the ideals of Russia and those of the United States for the mastery of the world's prevailing processes of thought. Professor Nasu sees a reasonable amount of social reconstruction as necessary before the world is ready to deal successfully with its population problems. His closing lecture contains a valuable summary of economic and demographic data of his own country.

The material mobilized by Dr. O. E. Baker, of the Department of Agriculture at Washington, in the third contribution to this symposium, demonstrates most impressively the extent to which food is now pressing on population rather than population on food, in the United States. The nature of the statistical and agronomic data in Dr. Baker's lecture more or less precludes extensive citation. It is sufficient perhaps to say that his judicious analysis of the whole range of questions relating to food supply presents in brief compass by far the best starting point for any person concerned with present food supply and its future prospects. A distinctly pessimistic outlook for the disposition of present-day surpluses is all that we can derive from his conclusion.

The shortest contribution in this volume is that of Dr. Kuczynski, which brings it to a close. It is, nevertheless, one of a very high

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order. After a brief but effective analysis of some current discussion on the maximum population of the planet, Dr. Kuczynski reaches the conclusion that something like 6 times the present population of the earth, or 11 billions of people, must represent the maximum. But whatever the planet might in any conceivable or hypothetical circumstances support, Kuczynski makes it clear that the trend in population is not at all in the direction of general overpopulation. First frankly pointing out that the statistical evidence is painfully incomplete and that even the total population of the earth is not known within hundreds of millions, he reaches the conclusion that the earth's population is probably not below 1.7 billions, nor above 1.95 billions, that the annual number of births lies between 45 and 75 millions, and that of deaths between 35 and 60 millions. He then demonstrates that if the excess of births over deaths has come to as low a figure as appears generally to be the case the indication is that of a decline in fertility so rapid that mankind must disappear relatively soon if the rate does not diminish. He points out the basis of the illusion of an increase in population due merely to the large proportion of women of child-bearing age in most of the populations that have been studied, and these women must of course soon pass to the age groups "where death claims most of its victims, while there are not sufficient children to fill up the age groups which are more or less secure against death and which contribute most to the reproduction of the population". He foresees, in any event, a tremendous increase in the Slavic proportion in the Caucasian population as well as a great contest for the political and economic control of the planet, especially if the non-Caucasian races find it by no means expedient to resort to deliberate limitation of their numbers.

These lectures represent a real contribution to the literature of population studies.

C. E. MCGUIRE

WASHINGTON, D. C.

The National Income and Its Purchasing Power. By W. I. KING. New York, National Bureau of Economic Research, Inc., 1930.—394 pp. $5.00.

The National Income and Its Purchasing Power will be welcomed both by general economists and by specialists in many aspects of our economic system. Annual estimates of national wealth and income are the fundamental financial reports on our nation's business. In this volume (National Bureau of Economic Research No. 15), King

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offers us his revised income estimates, 1909-1925, together with interesting annual valuations of about two-thirds of the national wealth, an industrial allocation of his annual estimate of gainfully employed persons, indexes of living costs for a variety of population groups, and annual estimates of the dollar volume of wholesale and retail business.

"Current income" has been renamed "realized income" and the earlier estimates have been revised slightly upwards. Realized income includes all employee income, interest (paid and imputed), net rents and royalties, dividends and entrepreneurial profits withdrawn from business. It excludes business savings (except in agriculture) and property appreciation. For "realized income" King's estimates through 1925 are undoubtedly much the most accurate figures available. The great virtue of King's method lies in his basic estimates of the number of gainfully employed persons—these enable him to take account of the growth of new types of business and occupation as no estimates of national income using index number technique and standard statistical series can. It is not surprising, therefore, that his estimates of realized income show a sharper upward trend than those of Ingalls and the National Industrial Conference Board (though the latter include business savings). While a final determination must wait upon the 1930 census, there are very strong present reasons to believe that the growth of new types of business and occupation has been exceedingly rapid in recent years.

The preliminary estimates of the National Bureau have commonly been given nearly as much weight as the final estimates, although they are much less dependable. King offers preliminary figures for 1926-1928. The increase of seven and one-half billion dollars as shown by these estimates from 1925 to 1928 is plausible, but it seems unlikely that "realized income" increased 3.2% from 1926 to 1927 and only 1.4% from 1927 to 1928. 1927 was a mild depression year, 1926 and 1928 were prosperous.

Those elements of the total national income excluded from "realized income" have been dealt with differently in volume 15 (and in volume 9) from the way they were handled in volumes 1 and 2. The old method was to add to *realized* income estimated book additions to corporate and individual business surplus accounts to get *total* income. In volume 15 real estate appreciation is included in *total* income, and book additions to corporate surplus are replaced by estimated net increases in market value of securities after deduct-

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ing "new money" invested. These latter estimates of security appreciation depend both upon business optimism and pessimism and upon cost-of-living indexes used as deflators. Even King does not place much confidence in the results, and they are a doubtful improvement on book additions to surplus, especially since bonds are included. In any case it should be noted that in the absence of reliable estimates of total income by industry groups King's figures afford nothing that can be called "net value product". Thus total income *realized* from manufacturing will not show biennial changes that can be compared with the census "value added in manufacturing".

The title of volume 15 suggests a heavy emphasis on deflated figures. Deflation is a treacherous process at best, and in this volume it does not seem to have been used with sufficient care. In theory it would seem that cost-of-living indexes are applicable only to consumed income. If suitable indexes were available, saved income should be deflated to show physical additions to wealth. Cost-of-living indexes are clearly unsuited for deflating security values, and presumably also for deflating a considerable part of "realized income". Possibly this is why the deflation of realized income, 1918-1920, is unsatisfactory. The construction costs index used to deflate building contracts in chapter xiv is presumably vastly better than a cost-of-living index for the purpose, but even this is notoriously far from satisfactory. The comparison of actual and logical values of railroad stocks on page 284 is downright fallacious. The actual (market) value is expressed in 1913 dollars—the logical (book) value is a hodge-podge; most of the 1925 value is in dollars more nearly of 1925 purchasing power than of 1913. It is little wonder the two curves diverge sharply, especially as one is affected by security flotations and retirements, while the other is not.

The latter half of the book is devoted to presenting some incidental findings not closely connected with the national income proper. Much of it is interesting and valuable, especially the estimates of construction contracts in current dollars, and the chapters on government, merchandising and miscellaneous income. But chapters xv and xvi on transportation and banking and parts of other chapters could well have been omitted. Especially is this the case because the book does all too little by way of analyzing our national income, and because the usefulness of the estimates presented is severely limited by the absence of an adequate statement of methods. Had some of the unnecessary pages been replaced by photostat copies of the

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principal work sheets, the value of the book would have been materially increased.

Two points of method appear particularly in need of defense. (1) It is doubtful whether interest on our national war debt should be included in the national income. (2) For most corporate industry groups realized property income plus additions to corporate surplus represents the return on that part of the national wealth employed by the industry group. But for banking "realized income" as defined by King (plus additions to surplus) there is no reason to suppose that this is so. It is doubtful whether interest paid to individuals on savings accounts plus cash dividends to stockholders less income on corporate security investments is the proper conception of realized property income for this group.

Chapter vii deals with changes in the concentration of income. Even if the analysis here did not depend on deflation indexes of questionable appropriateness, it would still leave one wondering just what is an "income recipient" and how many persons there are per income recipient in each stratum of the population. The increase in the proportion of wives filing separate tax returns makes it seem likely that the number of persons per recipient in the upper strata has been declining.

Several minor points invite comment. The decline in purchasing power of the average salary 1916 to 1918 (see page 91) is probably partly the result of including a larger number of "low salaried" army employees during the war. Table xlviii ought to check against other tables but a number of items fail to check. It is not clear why compensation for injuries to persons is part of the national income although property depreciation is not. Inadequate allowance appears to have been made for "profits withdrawn by entrepreneurs" in banking, mining and manufacturing. On page 293 it would seem more in accord with cost-accounting practice to deduct value of crops fed to stock from value of animal products rather than from value of crops.

In spite of its defects volume 15 represents a decided step forward in our general knowledge about the functioning of our economic system. The estimates of employees attached to various industry groups have already proved to have a very useful by-product in estimates of unemployment.

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The Paris Commune. By EDWARD S. MASON. New York, The Macmillan Company, 1930.—xiv, 386 pp. $5.00.

The Paris Commune is so controversial a subject that only a careful student of the sources is competent to write its history. Professor Mason, fortunately, possessses this qualification. Not only has he written a clear and fair account of the Commune—the first scholarly account in English—but in two excellent chapters, based on a survey of socialist and communist literature, he has appraised the influence of the Commune on the socialist movement.

The author begins with an overture in which he develops the different themes that struggled against each other during the Commune: the anti-clerical Jacobinism, and the partly socialist, partly Jacobin Blanquism; the federalism and mutualism of Proudhon and the oft-persecuted International which was later blamed, though without foundation, for making the revolution. All these "isms" are skillfully evolved and interwoven.

Follows a well documented chapter on the period between September 4 and the eve of March 18. Besieged Paris was in a state of ferment. The author shows (p. 84) that "the opposition . . . did not revolve to any very important extent around socialist principles". From the clubs the radical agitation spread not only to the streets but also to the National Guard, armed, idle and generally discontented.

The revolution was not planned, but "spontaneous". It was (p. 133) "an uprising of an exasperated populace". It was not a socialist movement, though it tended to become more and more proletarian. In the minds of most of the leaders, says the author, the struggle "was one between labor and capital, the proletariat and the bourgeoisie" (p. 262). And he draws on the contemporary newspapers for convincing evidence. However, the revolution was not disrespectful of private property, nor was it particularly bloody or violent before the entrance of the Versaillese.

The fall of the Commune and the bloody week that followed it "have given it its chief socialist significance". "In its death the the revolution was far more robust than it had ever appeared in life" (p. 282). Marx, who gave the uprising his unstinted support after it broke out, wrote the *Civil War in France* and made of it a proletarian and socialist revolution, though the International had nothing to do with the revolt of March 18; and Marx's pamphlet, "from beginning to end, almost pure myth" (p. 320), is the "generally accepted socialist history of the Commune" (p. 321).

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The Commune has had a vital effect on socialists and communists. The former see in its defeat an argument for parliamentary methods; the latter, adhering strictly to Marx's thought, as expressed in his pamphlet, see in the Commune a number of object lessons for the Russian proletariat, and a weapon against the Second International. The author has summarized the extensive literature on the Commune that has poured out of the Russian press since the revolution. This, and his treatment of the Commune as an episode in the socialist movement, may be considered Mason's chief contributions.

Nevertheless the book is not entirely free from minor defects. The author has not sufficiently stressed the exodus of the upper and middle ranks of civil servants as a cause of the failure of the Commune. The disorganized state of the administration resulted for the most part from a lack of sufficiently trained civil servants to replace the deserters. This state of affairs in a revolutionary government partly influenced the Second International in favor of parliamentary tactics. Sources referred to in a few cases have no bearing on the text; for example, references to pages in the *Enquête* (p. 111, n. 151; p. 155, n. 76). The author may have used an edition other than that of Versailles 1872, but he does not indicate it. Furthermore, while it is true that the mayors and deputies "believed in conciliation" between Paris and Versailles, it is also true, and this Professor Mason omits, that some were doing it "because they weren't sure of being the strongest", having "had no ammunition", to fight the Central Committee (*Enquête* ii, p. 324, Versailles, 1872), as M. Schoelcher, to whom we are referred as an example (p. 155, n. 76), testified. And finally the Communist Manifesto was not drafted (p. 1) "at this very time", i. e. the *coup d'état* of Napoleon III.

Despite these shortcomings, the book is a notable contribution. Students can profitably read it not only for its novel point of view but also for its scholarly presentation and fair appraisal of a highly controversial subject.

SAMUEL BERNSTEIN

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La Critica della economia liberale. By UGO SPIRITO. Milan, Fratelli Treves Editori, 1930.—226 pp. 18 lire.

Various and sundry are the intellectual currents that have united in the Fascist movement. To the black banner of Mussolini have come members of the "nationalist" school led by Corradini;

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syndicalists until recently headed by Rossoni; futurists, disciples of Marinetti; liberals drawn from the professions and big business, like De' Stefani; and followers of the Hegel-Crocean tradition under the leadership of Giovanni Gentile. This last group is less well known abroad than most of the others, but it is none the less significant. It is composed of young *savants* who believe in the more or less mystical union of the individual and the state. They scorn the uncouth and violent actions of certain Fascists and devote their energies to the establishment of an intellectual basis for Fascism and to the popularization of their ideas through the Istituto Nazionale Fascista di Cultura, which is controlled by them.

Outstanding among these learned young men is Professor Ugo Spirito, an economist and editor of *Nuovi Studi*. His *Critica della economia liberale* is a perfect example of the kind of work done by Gentile's followers. It is an attempt to show the fallacies of what is traditional (in this case of liberal economic thought); it is written in philosophical language; and it is published by the Fascist Institute of Culture. The first chapter, which is really the first of a series of essays written in some instances more than a year apart, is devoted to a discussion of science and scientists. Spirito maintains that science cannot exist without philosophy, that "science is therefore dialectics, the essential of philosophy, of history, or of life" (pp. 3-4) and that "each particular science is philosophy." Having discussed these things in language worthy of a Hegel, he points out that the number of presuppositions of a social scientist is necessarily great and therefore that the "laws" which he establishes only approximate the truth. The author states that traditional economics has been based on the doctrine of egoism, that this doctrine is a presupposition, and hence that economics to the present time has no absolute scientific value (p. 14). The great weakness of economists has been their tendency to mix their philosophical presuppositions with their empirical knowledge (p. 22).

With this philosophical criticism in mind Spirito proceeds to analyze the works of Vilfredo Pareto, Benedetto Croce, and a group of "sophists". Pareto is praised for having freed economics from sociology and from "old dogmatism", but his efforts are condemned as vain because he endeavored to make the abstract dominate the concrete. Croce's *Materialismo storico* fares worse at the hands of Spirito than does Pareto's *Cours d'économie politique*. Croce has not distinguished the abstract from the concrete (p. 96) and economists have nothing to learn from him.

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Sophism in economics is very great, and to prove the point polemics between Spirito and other Italian economists are inserted in the book. These quotations form perhaps the most interesting and most valuable part of the volume, because they give an idea of the theory of Fascist economics. Spirito shows himself to be a champion of the guild system as worked out in Italy and in a footnote states that he is preparing a treatment of the corporate idea.

A critical analysis of Spirito's book would require a long dialectical essay. The reviewer believes that the author has contributed something toward clearer economic thinking, but that he has obscured his thought, at least for the majority of his readers, by the use of the philosopher's jargon. Although he has stressed a point that is very vital, the reviewer cannot refrain from suggesting that the number of similar dialectical treatises in Italy is out of proportion to works concerning concrete economic facts. There is yet no good economic history of Italy nor a history of Italian economic thought. Some Italian economist would do well to refrain from polemical writing and to devote himself to these much needed historical works.

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BOOK NOTES

The most charitable conclusion regarding Martin MacLaughlin's *Newest Europe* (New York, Longmans, Green & Company, 1931; viii, 214 pp. $2.40) is that it must have originally been written before 1928. It is quite apparent that paragraphs have later been added at the end of some of the chapters in an attempt to bring the text down to 1931, but this work has been very inadequately done. Consequently the book is often misleading. Germany, for instance, is depicted as still struggling to carry the burdens laid upon her by the Dawes Plan (p. 25); no mention is made of the Young Plan or the evacuation of the Rhineland. The Italian electoral reform law of 1928 which Mussolini characterized as Fascism's greatest legislative novelty and its chief claim to originality is entirely ignored, and Italy is described as operating under the defunct law of 1923 (p. 71). These are doubtless the most astounding of the omissions, though one might be inclined to expect a volume with such a title to contain some discussion of the League of Nations, perhaps the "newest" thing in Europe. Space does not permit a detailed enumeration of the errors of fact which are scattered through the text. A few examples must suffice. French troops did not occupy the Ruhr in 1922 (p. 11); William II did not abdicate on November 7, 1918 (p. 30); the German Reichstag does not consist of 493 deputies (p. 42); the Fascist party was not founded in 1919 (p. 61); the Italians did not break through at Vittorio Veneto in 1919 (p. 63); Nicholas II did not abdicate on March 2, 1917 (p. 86); the Soviet Union does not consist of eight republics (p. 98), nor is the Union Congress elected by all citizens over eighteen years of age (p. 100); Paderewski was not elected president of Poland (p. 146); Bulgaria did not launch her attack on Serbia in 1918 (p. 194). The volume has no references, no bibliography, and practically no index.—F. LEE BENNS, Indiana University.

At the age of eighty-seven, Henry Clay Warmoth, Reconstruction governor of Louisiana, has finally published his reminiscences under the title of *War, Politics and Reconstruction* (New York, The Macmillan Company, 1930; xiii, 285 pp. $3.50). Partially used in manuscript form by Claude G. Bowers and others, they can now be estimated as a whole. The important portions of the book are not those in which, with something less than full candor, Mr. Warmoth

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defends his record as a carpetbag executive, but those in which he exposes the practices of the fellow-radicals against whom he ultimately turned. Elected governor in 1868, when only twenty-six, he shortly became involved in a series of factional squabbles, executed a turn-about, and in 1871-72 led a Liberal Republican revolt against the Grant forces in Louisiana. In this volume he describes his own motives and acts as being all of the purest hue. He fiercely assails those of Grant, the President's brother-in-law Collector Casey, Marshal Packard, and other Federal office-holders, whom he accuses of balking "my efforts to build up a Republican party in which the conservative and honest white people of the State should have a share." We need not accept Mr. Warmoth's special pleading, but his documents, liberally sprinkled through the text, speak for themselves. They make a robust and at times horrifying narrative of the abuse by the Grant administration of its official influence and of the legal processes of the United States for partisan purposes in Louisiana. A good deal of light is also shed upon the forces underlying the political situation. The 85,000 ignorant negro voters of the state, who could be molded by Grant's representatives into supporters of the administration; the 6,000 or 8,000 white Republicans, carpetbaggers and scalawags, of whom the better element tended to move with Warmoth toward conservatism and reform; the white Democrats, more and more determined to regain control of the state —these were the principal elements in what became a witches' caldron of hatred, corruption and violence. Mr. Warmoth does not succeed in clearing himself, but he does add some dark touches to the lurid record of the Grant administration in Louisiana.—ALLAN NEVINS.

Information on the Reparation Settlement, by John W. Wheeler-Bennett and Hugh Latimer (London, George Allen and Unwin, Ltd., 1930; 263 pp. 10s.) deserves a more ambitious title than the authors elected to give it. Even its subtitle—"the background and history of the Young Plan and the Hague Agreements"—does not adequately indicate its scope. It is really a summary, and an excellent one, of nearly all of the principal dealings of the former Allies with the Entente Powers since 1920 on other than territorial questions; indeed, it is by all odds the best short statement with which the present reviewer is familiar. It begins with an outline of the more important clauses of the Treaty of Versailles, except for those concerned with territorial matters or with the League; follows through the history of German disarmament; and then, in

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the main part of the study, presents the principal steps in the politico-documentary evolution of the reparations question from 1920 through the second Hague conference, in 1930. It also contains a chapter on non-German reparations, and appendices giving the text of the Young Plan and the principal documents of the Hague conferences. The book is a careful, judicious piece of work, well written and concise, and one on which the authors are heartily to be congratulated. It will be of inestimable value to every student of post-war European questions; and its combination of fair-mindedness with a powerful desire to promote peace and good will in the world make it a genuine contribution toward the solution of present-day problems in the international field.—JAMES W. ANGELL.

The Friedrich List Gesellschaft in Germany has begun a series of round table conferences which promise to contribute in an imposing way to the clarification of thought on important issues of the day. The first, which occurred at Pyrmont in 1928, gave rise to two solid volumes, *Das Reparationsproblem* (Berlin, Reimar Hobbing, 1929; 477, 558 pp.). Extensive reports were submitted by technical authorities, some academic and others active in business; and they are reproduced *in extenso*. The discussion is of an exceedingly high order. These volumes probably constitute the starting place for any student of German opinion on the reparation machinery and its consequences. In 1929, the second conference occurred at Eilsen, its program being devoted to the relation between taxation and the reconstitution of capital wastage. Its proceedings, published under the title *Kapitalbildung und Steuersystem* (Berlin, Reimar Hobbing, 1930; 2 vols. 494, 594 pp.), present a most systematic survey of this subject either from the factual point of view, or from that of practical analysis of theoretical concepts. Great credit is due to the energy of Privy Councilor Bernhard Harms for the inauguration and carrying through of these conferences and the publication of their proceedings. Typographically, the volumes are models of attractive and accurate work.—C. E. MCGUIRE, Washington, D. C.

The interesting course of Italian public finance since the war is recounted by François Perroux, in his *Contribution à l'étude de l'économie et des finances publiques de l'Italie depuis la guerre* (Paris, Marcel Giard, 1929; 357 pp. 50 francs). He has methodically and objectively reviewed the development of the pre-Fascist experiments with capital levy, war profits and other fiscal legislation, and the state of the national finances during this period.

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His verdict on the pre-Fascist administrations is measured; they were far too optimistic as to the outcome of negotiations over the adjustment of war-time obligations, even though it is to be said in their favor that they did not stress reparation payments as a source of revenue. Seven years of Fascist economic policy are reviewed in the second part of the volume. The analysis takes account, with reasonable fidelity, of most of the documentation, official or otherwise, of the period. The conclusion of Dr. Perroux is that no great consistency characterizes the Fascist program, in the execution of which liberties have been suppressed and an immense amount of state intervention has taken place. He pays particularly detailed attention to the organization of the Fascist labor syndicates. —C. E. McGuire, Washington, D. C.

By contrast with the measured calmness of Perroux, Georges Valois, in his *Finances italiennes* (Paris, Librarie Valois, 1930; 172 pp.) rises to heights of extreme violence. The little volume contains an endless series of imputations of fraud, double-dealing, malfeasance, villainy, which at times become strident accusations. The economic survey, upon which many of the affirmations rest, is exceedingly superficial. The financial data are incomplete and the sources for many figures are disparate and often quite irresponsible.—C. E. McGuire, Washington, D. C.

A bibliography of the literature to which the propagandist activities of Sovietism have given rise would be a fairly substantial, although, to be sure, a most interesting volume. In South America a number of books have appeared, dealing with the subject from one or another point of view. In *A Crise Mundial, O Operaio do Seculo XX e o Communismo* (Rio de Janeiro, Paulo, Pongetti e Cia, 1931; 188 pp.), Alberto Otto has tried to write a lucid analysis of Soviet theories in non-technical language, suitable for the workmen of his own country. The author is frankly anti-communist; and he has little confidence in state intervention for purposes of "valorizing" products, or the like. The style is vivid; necessarily the treatment is neither complete nor profound.—C. E. McGuire, Washington, D. C.

Governmental Control of Crude Rubber, by Charles R. Whittlesey (Princeton, Princeton University Press, 1931; xv, 235 pp. $2.50), offers an intensive study of the initiation, history and collapse of the Stevenson Plan for the control of rubber, and of the effects which the control had in the producing, buying and investing countries. It is the first detailed analysis of the working of governmental action

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in the field of the basic raw materials, and as such deserves the attention of every economist. The general conditions prevailing in the rubber industry are such as to make it seem well fitted for the development of a successful monopoly. The demand for rubber is highly inelastic (the largest part of the demand, that for automobile tires, is joint, and tires make only a small fraction of the total cost of automobiles); and hence a change in price produces little effect, at least in the first instance, on the volume of sales. In addition, the existing production of crude rubber is limited, and is geographically concentrated. At the time the control was inaugurated, 93 per cent of the world's rubber came from Ceylon, British Malaya and the Dutch East Indies, and 65 per cent from the British areas alone. Brazilian and other wild rubber formed only 7 per cent of the total. Until the war there had been no control at all; and the post-war collapse of rubber prices caused intense distress in the producing countries, with repercussions in the investing countries (chiefly England). In consequence, in 1922 the British government was induced to pass the so-called Stevenson Act, for the restriction of production in the British areas; the Dutch refused to collaborate. The results were at first most satisfactory, but with the passage of time the restriction proved less and less effective, and in 1928 the Act was repealed. There were a number of reasons for the eventual failure of the control, among which the chief were apparently the facts that price control operated to encourage still greater production, instead of checking it; that high prices induced rubber users to make improvements which (especially with respect to automobile tires) both lengthened the life of the rubber itself, and also permitted a larger use of reclaimed rubber, thus restricting the current demand in two directions; and that it was impossible to control rubber coming from native producers. In addition, the Stevenson Plan itself seems to have been badly drafted at certain critical points. Professor Whittlesey concludes that the Plan was probably disadvantageous both to society as a whole, and to the rubber plantation industry. Even so, he does not feel that a conclusive case has been established against raw material control itself; despite the experience with rubber, he thinks it still possible that a sufficiently enlightened and unhampered group of men might regulate the supply of a raw material more economically than it can be regulated by the forces of free competition (see the illuminating footnote on pp. 179-180). But, with perhaps justifiable skepticism, he admits that there is a strong case against control by any organization which

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would in practice be likely to be established; a view of course borne out by the American experience with farm relief. The book has certain flaws in construction and presentation, and the index is inadequate, but these defects do not impair the genuine value and interest of the work. The sections on the general theory of the question (pp. 174-181)—on import as versus export duties, and on the effect of different types of control—deserve especial attention. —JAMES W. ANGELL.

The third edition of Dr. Harold G. Moulton's well-known volume, *The Financial Organization of Society* (Chicago, University of Chicago Press, 1930; xxxviii, 752 pp. $4.00), is an extended revision of the preceding edition, published in 1925. Eight out of thirty-one chapters have been reworked, and in the remainder the material has been brought down to date. The reworking, however, leaves a little to be desired at certain points. Thus in the Preface it is declared that the theory of foreign exchange has been thoroughly restated to take account of credit operations and other factors. The restatement consists in pointing out that credit operations now play an important part in international transactions, and that gold flows now have no intimate short-term relation to general price movements. Whether the second condition is to be regarded as the result of the first is not clearly indicated; and the problem of the maintenance of international financial equilibrium at large is hardly hinted at, much less analyzed. There are also two curious slips in the middle of page 152. The section on the expansion of bank credit under the Federal Reserve system (see especially p. 554) apparently entirely ignores Professor Phillips' familiar conclusions with respect to the limits on the extent to which any one bank can increase its loans against new cash or surplus reserves—the limits arising primarily, of course, from the adverse clearing balances the bank will encounter. The revised chapter on the general operation of the Federal Reserve system, on the other hand, presents a clear and helpful picture. Dr. Moulton's general verdict is decidedly favorable. On the possibilities of actual *control* by the Federal Reserve authorities, however, at least so far as the experience thus far accumulated goes, he is skeptical; and he adduces a good deal of tangible evidence in support. The intentions or even the skill of the Reserve authorities are not in question. Rather, he believes that economic life, at least in this country, is so organized that central bank policy can find rather little to catch hold of; there is rather little it can do which will be really effective in checking over-expan-

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sion (or over-contraction) materially *in advance* of the actual development of an undesirable situation. In general, the book remains a useful source of information and informed opinions, though universal agreement with all the opinions is in the nature of the case not to be expected; and this latest revision has added materially to the value of the work.—JAMES W. ANGELL.

Among the books which the hundreth anniversary of the first successful demonstration of the reaper has brought forth is *The Century of the Reaper* (Boston, Houghton Mifflin Company, 1931; xiv, 307 pp. $3.50) by Cyrus McCormick. The author, a grandson of the great inventor and business genius, admits that he is "too proud" of his grandfather's career "to write a coldly impartial account of his contribution to history". One could hardly expect a cold appraisal of facts under the circumstances, and the author is undoubtedly altogether too free with superlatives. Nevertheless, it is easy to forgive this in a descendant of a man of McCormick's genius. The chapters concerning the invention and early years of the McCormick factory have little that is new to offer, unless, perhaps, it is the emphasis upon the contribution to the business by Nettie Fowler McCormick, particularly in the decade after the death of her husband. The author rightly emphasizes the genius of McCormick as an *entrepreneur* and salesman, aptly quoting from his brother, William, who wrote in 1859, "Your money has been made not out of your patents but by making and selling the machines". The author apparently takes no stock in the belief held by certain members of the family that Robert, father of Cyrus Hall McCormick, was the real inventor of the reaper. The chief contribution of the book is in the fact that it brings the story of the McCormick Harvesting Machine Company and the International Harvester Company down to date, and in the interesting light it throws on the sales methods and the bitter competition which existed for decades in the agricultural implement business. The author, himself, has been with the company for fifteen years; he has had access to all pertinent existing records including his father's diary, and has obtained much important information from association with many "old-timers". Although one finds the usual bunk about "service" and the "ideals" of the company reiterated throughout the book, the volume is superior to the average history of an industry written by a member of the company. Of course, the International Harvester Company is pictured as without guile or guilt in the years of prosecution which it faced under the Sherman Anti-

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Trust Act, and as always dominated by the highest motives. One suspects that there must have been another side to the story. On the other hand, there is a refreshing willingness to give due credit to the ability of rival inventors and manufacturers. Considering the author's background and the sources at his disposal the chief regret is that the book was not conceived on a larger scale, for the story of McCormick and the industry which he founded is an important part in the history of the agricultural revolution and the westward movement, an epochal phase of world history. The author's style is excellent and the book is well illustrated.—H. U. FAULKNER, Smith College.

In *The Jameson Raid* (London, Philip Allan, 1930; xiii, 306 pp.), Hugh Marshall Hole undertakes a fresh documentary appraisal of the circumstances and motives involved in that mysterious and momentous event. Hole was at one time private secretary to Jameson, spent a lifetime in the Rhodesian civil service, and was personally intimate with many of the raiders. Relying upon these points of contact, he promises an approach by means of the psychology of the leading actors. The promise is only partly fulfilled. Hole advances, in the absence of direct evidence, a "psychic" hypothesis that Jameson himself was the father of the raid as an adjunct to the projected Johannesburg revolution, and regarded it as a more central feature of the plot than did others. Jameson was intoxicated with his rapid rise to prominence and power by his Rhodesian exploits. And his desire for a personal triumph regardless of hazards precipitated the fiasco. Responsibility for the blundering plans is shifted from Cecil Rhodes to his brother and Jameson. Hole has not dug out any important evidence that was not freely available to the public at least two years before the Boer war. But he exhibits common sense in his critical dissection of the stories told by the raiders and Johannesburg reformers respectively. There are limitations, however. He will not examine the frequently implied conviction that English gentlemen invariably tell the truth—the whole truth. He still believes that the grievances of the Uitlanders were in fact "insupportable" (p. 28) despite the rapid growth of Johannesburg and of Rand dividends. And he disposes of suggestions that stock jobbing had any relation to the raid or to the abortive revolution, by pointing to Labouchere's discomfiture when he pressed such suggestions at the Select Committee hearing. Hole emphasizes the subsequent prominence of most of the raiders and "reformers" in South

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African affairs and their qualities of personal charm. It is indeed the dramatic human episode which is presented in this clear and vigorous narrative. The broader implications of the event, quite as intricate as the human mystery, are barely hinted at. And the reader may ponder another human mystery—how the glamour of pathos still clings to the instigators of this intended international crime.—LELAND HAMILTON JENKS, Wellesley College.

The rise of South Africa is a story rich in personalities; and *The Life of John Xavier Merriman* (New York, Richard R. Smith, Inc., 1930; vii, 428 pp. $5.00) by Sir Perceval Laurence is a welcome addition to the list of their biographies. Merriman's parliamentary career, first at the Cape, and later in the Union, extending over some fifty-six years, lacks the drama of those of Jameson, Botha, Smuts and other builders of the South African state. Here is a South African figure who did not make a fortune in diamonds or gold or land, nor win notoriety as general or military leader. This English-born son of a bishop was not even a lawyer. His story is in a unique way the chronicle of the political factors and of the stresses of public finance which have made for South African unity. This biography, by a retired Cape jurist, is based upon Merriman's diary, thousands of letters, and official publications. It does full justice to Merriman's important share in the constitutional development of South Africa, his steady opposition to "the imperial factor", and his services as Cape premier in arranging a Union more unitary than federal. Merriman's attitudes toward post-war imperial problems are illustrated by long selections from his correspondence with Basil Williams and Earl Buxton. Sir Perceval and his assistants in dealing with the Merriman papers have shown a reticence scarcely appropriate to the candid and controversial personage who puzzled and infuriated and fascinated contemporaries. Much in the pre-Union politics of South Africa remains to be illumined by a more Merriman-like use of his papers. The savor of the early Merriman deserves a chronicle less dominated by circumspection.—LELAND HAMILTON JENKS, Wellesley College.

The Carnegie Endowment's series of Classics of International Law, edited by Dr. James Brown Scott, continues its useful march against the strongholds of ignorance entrenched behind the alleged inaccessibility of the great classic writings in international law. Numbers 14 and 15 of the series are Samuel Pufendorf's *Elementorum jurisprudentiae universalis libri duo* (New York, Oxford University Press, 1931; 2 vols. xxvi, 377; xxxiii, 304 pp. $7.50)

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and Cornelius van Bynkershoek's *Quaestionum juris publici libri duo* (New York, Oxford University Press, 1930; 2 vols. viii, 417; xlvi, 304 pp. $10.00). Pufendorf's *De officio hominis et civis* has already appeared as number 10. The more famous *De jure naturae et gentium* has not yet been included, but the present volume contains much of Pufendorf's basic ideas on international law. Pufendorf owed much to Grotius and Hobbes but, lacking Grotius' wide experience in practical affairs, lacks also much of his great predecessor's positivistic approach. Pufendorf, indeed, seems to have Grotius in mind when he criticizes the scholar who "has had rather the advantage of his own state before his eyes; than the zeal for truth which is under obligation to no parties." His distinguished successor, Bynkershoek, would also be included in his criticism that "they are assuredly wasting their efforts who collect what the nations in common with one another habitually practise, especially in war, and conclude these matters to be legitimate on the basis of the law of nations." Dr. Wehberg, whose introduction is translated for this volume, admits of course that Pufendorf denies the existence of a positive international law separate from the law of nature, but disagrees with many of Pufendorf's critics who assert that this naturalistic basis was not valuable to the development of international law. It is undoubtedly true that Pufendorf has had considerable influence and much that he writes on peace and war has a prophetic flavor, as witness his discussion of pacts of mutual assistance and his advocacy of arbitration. As the title of his work implies, the book is by no means confined to the narrow field of international law. Pufendorf was trained as a mathematician and attempts to organize jurisprudence on a mathematical basis. The modern scholar may not find his treatment as helpful as that of Professor Keyser in his *The Pastures of Wonder* or his article in the *Yale Law Journal*, "On the Study of Legal Science", but Pufendorf may excite the admiration of a present-day sociologist when he thus measures the degree of sin: ". . . if the radius of execution strike, for example, on grade 15, and that of intention on 9, the sin will be of grade 24 . . ." Bynkershoek's work presents a striking contrast to that of Pufendorf. It is the product of the ripe maturity of a vigorous and successful attorney and judge. It was written while the author was the President of the Supreme Court of Holland, Zealand and Western Frisia. As de Louter says in his ample introduction to this edition, Bynkershoek was neither philosopher nor moralist. In his own preface, Bynkershoek said he de-

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sired the work to be of immediate practical value, and that he had accordingly relied mainly on modern state practices. He had little respect for the classic poets and orators, but paid his compliments to Grotius and Pufendorf. Even these masters he challenged when they did not meet his test of reason, which was for him the *summum bonum*. He was concerned chiefly with the interests of his own country and mingles with the international problems of the United Netherlands some of their questions of constitutional law. Book I is devoted to the law of war, which he discusses in minute detail. He contributes probably more than any of his predecessors to the law of neutrality, to which Grotius paid but scant attention. Book II is a hodge-podge of international and constitutional law. Much of it had already appeared in his *De dominio maris* (No. 11 of the Carnegie series of Classics) and in his *De foro legatorum*. The whole flavor of the book is distinctly modern; as inconsequential but illustrative examples, one may note his use of authorities and the explanation thereof in the preface, and the hypothetical cases featuring those famous personages, Messrs. A and B. Bynkershoek is often dogmatic, always courageously independent and practical. In accordance with the custom of the series, the first volume of each of these numbers is a reproduction of an early edition; the second volume is an English translation. For Pufendorf the edition is that of 1672, the translator being William Abbott Oldfather. For Bynkershoek the edition is that of 1737, and the translator is Tenney Frank.—PHILIP C. JESSUP.

Even if the first conference for the codification of international law which, on the invitation of the League of Nations, sat during March, 1930, at The Hague, produced no tangible diplomatic results, it did at least inspire some scholarly attempt to supply the conference with adequate tools. Among the three topics which were held "ripe" for codification was the problem of nationality, and *A Collection of Nationality Laws,* edited by Mr. Richard W. Flournoy, Jr., Assistant Solicitor in the Department of State, and Dr. Manley O. Hudson, Bemis Professor of International Law at Harvard Law School (New York, Oxford University Press, 1929; xxiii, 776 pp. $4.00) is among the few welcome products evoked by the heretofore abortive efforts to codify international law. This book contains, in its first part, the nationality laws, in English translation, of eighty-seven countries, including the British Dominions and overseas possessions of various countries such as colonies, dependencies and mandated territories. The second part is a compilation

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of provisions from twelve multipartite and fifty-four bipartite treaties dealing with nationality. The national laws are preceded by a note of the editors giving a concise historical statement of the evolution of the nationality laws in the various countries and a bibliography of the important treatises and commentaries in each country on the subject. The material for this work was collected in connection with the Research in International Law organized several years ago under the auspices of the Harvard Law School, chiefly for the purpose of preparing annotated drafts of conventions on topics which the League of Nations Committee for the Progressive Codification of International Law selects for study and codification. As is known, the Harvard Research produced a carefully prepared draft of a convention, with ample annotations, on each of the three subjects which figured on the agenda of the Hague Conference last March; the League Committee expressed its appreciation of the valuable assistance which these drafts contributed to the preparation of the conference. The compilation of nationality laws was prepared to supplement the draft of a convention on nationality. In thus publishing these texts, with the references to the original sources and with the bibliographical notes, the editors have placed a valuable tool in the hands of English-reading jurists. It may be hoped that similar publications will follow as a result of the study of other topics in international law continued by the Harvard Research in anticipation of further attempts at codification.—FRANCIS DEÁK, Columbia University.

When an economist whose interests are largely statistical and theoretical turns his attention to a historical problem, his work is likely to be both useful and irritating to the historian. Mr. S. E. Harris's study of the paper money during the French Revolution—*The Assignats* (Cambridge, Harvard University Press, 1930; xix, 293 pp. $3.50)—is exactly that. The book is useful for several reasons. Perhaps the most important is that he is one of the first students of the problem to show the interaction of paper money emissions, price regulation, sequestration of foreign capital in France, and other financial legislation of the various Revolutionary governments. The fastidiousness he evinces to distinguish the various measurements of depreciation and to avoid the errors of his predecessors, who confused depreciation in foreign exchange with depreciation in internal purchasing power, is likewise commendable. His charts are probably, therefore, a more accurate exposition of actual values and objective statistics than those of Falkner, hitherto con-

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sidered the most careful and trustworthy in that regard. The care with which he has examined and criticized all the important literature of his subject, of which he gives an impressive bibliography, is also to be included among the better features of his work. But these merits will be of value only to the rare historian or economist who possesses both patience and curiosity enough to plow through a work written without imagination, in a wooden style, with more than the usual numbers of sins in the form of misspelled names, positive statement of dubious information, bad punctuation and rhetorical awkwardness. If he is a historian who feels that a chronological sense is a desideratum, he will be further annoyed by an organization of material which requires frequent repetition, as various phases of the subject are traced through from 1789 to 1797 in rapid succession. Or if he is a historian who feels that economic transactions do not take place in a limbo unoccupied by man, particularly in a time of war and social upheaval, he will experience some consternation that Mr. Harris has been content merely to remind his readers on several occasions that belligerent and revolutionary activities were going on as the assignats were issued and fell in value. Section 6 of chapter x is the most glaring example of meaningless information—a large number of facts, undoubtedly painfully mined out of dark recesses, stuck together in chronological order; only upon looking at the title—"Control of Trade"—can one determine what it is all about. The best point that Mr. Harris makes is that the assignats were, despite their checkered career, an adequate solution of the financial problem of the Revolution. For about seven years they did provide money where money would otherwise not have existed in sufficient quantities. Perhaps if he had limited himself to this thesis and spent less time in quibbling with other authorities on their method and explaining his own at length, he would have written not only a potentially usable but also an actually useful book.—Louis R. Gottschalk, University of Chicago.

Frankly admitting that he writes from the point of view of historical materialism, Dr. Léon Rabinowicz in his book *Le Problème de la population en France* (Paris, Marcel Rivière, 1929; 430 pp. 30 francs) attempts to present a general survey of the population problem mainly with reference to France. The first half of the book he devotes to a survey of population statistics and literature, but it is exceedingly uneven and in places quite uncritical. Nevertheless, the author is evidently widely read and his volume contains numerous interesting citations. His acceptance of figures reported for the

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eighteenth and nineteenth centuries leads him to believe that the population of Great Britain increased 2.5 millions in the half-century of the industrial revolution as against an increase of only 700 thousand in the five centuries after 1066. As in the case of the population of France, there has always been at least a tenable ground for challenging the completeness of the earlier enumerations of Great Britain. In any case, there is no proper allowance made for the undoubted importance of the decline in the death rate throughout this period, which, much more than any other factor, brought population numbers rapidly to higher levels. The second half of the volume includes useful tables on the French population trend and data on marriage rates not readily available outside of detailed government publications. Marriage rates have increased in France from 78 per 10,000 a century ago to approximately 85 at the end of the last decade. The author's analysis of the relation between marriage and natality rates contributes very little that is new, but it is at least reasonably sound. Some interesting medical evidence on provincial neurasthenia is assembled in his discussion of birth rates in southwestern France. His closing discussion on the sociological background of the decline in birth rates might have been expanded so as to become the most interesting portion of the volume. The bibliography is long, but incomplete for a work of this scope.—C. E. McGuire, Washington, D. C.

The appearance of Sir Philip Gibbs' name on a title-page invariably serves as a sufficient guarantee of a charmingly written, highly interesting and thoughtful volume. And Sir Philip's latest book—*Since Then: The Disturbing Story of the World at Peace* (New York and London, Harper and Brothers, 1930; vii, 469 pp. $3.75) in every way lives up to the high literary standards set by him in *Now It Can Be Told, More That Must Be Told, Young Anarchy* and other works. The book under consideration deals, in nineteen chapters, with post-armistice developments in the leading countries of Europe, in the United States, and in the areas inhabited by the "restless races", the awakening Asiatics and Africans. The last two, and in many ways the best, chapters treat of the "Unveiling of Women" and the "Post-War Mind". The chief emphasis in most of the sections is on the evil and turbulent conditions following immediately upon the cessation of armed hostilities on the Western Front and lasting, generally, down to 1923 or 1924. The next six or seven years are brushed over rather lightly, and then a résumé of the present status or attitude of the people under survey is given.

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Since this is meant to be a popular book the stress throughout, of course, is on the dramatic and exciting or "human interest" phases of post-war life and developments. Complex financial problems and boundary technicalities find little or no mention within the really beautiful red-and-gold binding of the work. Indeed, on occasion, strict historical accuracy is sacrificed for the sake of a nicely turned phrase or happy word construction. Nevertheless, the author's first-hand knowledge of the conditions whereof he speaks, and his great skill in the reproduction of real or plausible conversations with people in every walk of life, make the finished product a colorful tableau of what has occurred and is occurring "since then". Despite the claims of the publishers' blurb, there are no "stories we have not known" or "horrible tales that censorship has kept from our ears" in the volume. The real value of the book lies in its power to make known to the general reader what heretofore has been common knowledge only among students of history and world affairs. Crying injustices, needless slaughters, narrow-minded prejudices and harsh treatments of minorities need to have the searchlight of popularization turned upon them so that all may know of them. And in this achievement Sir Philip is peerless. A sense of humor, shrewd observation, friendly criticism, sympathetic insight, and a firm belief in the integrity and capabilities of the youth of today mark every chapter of the volume. After reading the book one can readily appreciate the author's desire "to have been born yesterday so that he might see the world half a century from now."—WALTER C. LANGSAM, Columbia University.

Local health statistics and vital records were more systematically studied and published three generations ago in this country than they are today, but certain municipalities are now becoming interested enough to make a real effort to assemble worth-while data. New York City is beginning studies of births by age of mothers, by nationality of parents, and the like, which, if adequately supported, may in time afford valuable material to investigators. The Department of Health of the City of Chicago has just published a consolidated *Report for the Years 1926 to 1930 Inclusive* (Chicago, 1931, 1165 pp.), which is well organized and furnishes a dependable guide to the demographic and related data of a great city during a lustrum of swift transition.—C. E. MCGUIRE, Washington, D. C.

Through the medium of the Institute of Social and Religious Research a study has been made of the data collected by the Federal Census of Religious Bodies taken in 1926, and is published under

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the title *The United States Looks at Its Churches,* by C. Luther Fry (New York, Institute of Social and Religious Research, 1930; xiv, 183 pp. $2.50). The analysis is based not only on the published census figures, but also upon certain material which the government collected but did not publish, such as data on the academic training of ministers. In spite of the notorious inaccuracy of religious statistics, particularly those on church membership, the author argues that they are "sufficiently reliable" for his purpose, and sets out bravely to answer eight questions: What proportion of Americans belong to the church? How are churches geographically distributed? How rapidly are churches growing? Is the Sunday School declining? To what denominations do people belong? To what extent are ministers academically trained? What is the value of church property? How much do churches spend? Any adequate answer to these questions is an important contribution to a knowledge of contemporary civilization and of value to the social historian as well as to the sociologist. This study is especially interesting for the number of widely held theories which it explodes. The prevalent idea that church membership is declining is not borne out by the statistics, which show that between 1906 and 1926 church membership has kept pace almost exactly with the growth of population. Furthermore, a higher proportion of the adult population among urban dwellers belong to the church than among rural people, and the size of the city does not seem to influence the relative number of people having church membership. Not only is this true, but such states as New York, Pennsylvania, New Jersey and Connecticut show a greater proportion of their population affiliated with the church than the "Bible belt" states of Nebraska, Kansas and Iowa. Nor does the Sunday School seem to be rapidly declining; in 1906 the pupils in Sunday Schools were equivalent to 40 per cent of the population under 19 years of age; by 1916 this ratio had reached 48 per cent, but in 1926 had declined to 44 per cent. The idea that the church has a peculiar hold upon the negro temperament is likewise badly weakened by the findings of the census. The number of colored women 13 years of age and over on the church rolls is 73 per cent as against 62 per cent of white women, but only 46 per cent of all adult male negroes are in church compared with 49 per cent of whites. "Certainly", says Fry, "if interest in organized religion was primarily the result of a racial attitude of mind, this factor should interest negro men as well as women" (p. 11). Certain widely held beliefs gathered from general observation are here con-

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firmed, as, for example, the paucity of education on the part of a large proportion of the clergy, particularly the Protestant, the greater hold of the church upon women than upon men, the fact that the Church of Christ, Scientist, has grown relative to its size more rapidly than any other in the past decade, and the fact that the tendency of denominations to combine has continued. This book is valuable not alone because it condenses the census statistics, but because of the clarity of presentation, the latter greatly aided by 35 charts. The results of its findings probably come as close to the truth as one is likely to get with statistics on religious subjects.—H. U. FAULKNER, Smith College.

A critical and scholarly analysis of the subject of federal tenure as affected by the well-known Myers decision of the Supreme Court in 1926 appears in James Hart's *Tenure of Office under the Constitution* (Baltimore, The Johns Hopkins Press, 1930; ix, 384 pp. $3.50). The ever-increasing complexity of governmental problems relating to the regulation of economic life calls for the establishment of impartial, "judicialized" administrative bodies whose function must be that of protecting the public by a "scientific" application of federal legislation. To secure adequate performance of this task in a judicial spirit, such bodies must be given independence of tenure. But, since we cannot trust to the growth of constitutional *mores* alone, it remains for Congress to provide legal safeguards against political meddling. In the main part of this work the author builds up the thesis that, despite the interpretation usually put upon the Myers decision, there may still be room for Congress to place restraints upon the President's power of removal, so long as it does not infringe any of his specific constitutional powers. An analysis of the Myers case convinces him that, since the only issue directly involved in the decision related to the power of Congress to require senatorial confirmation for removals, the rest being *obiter dicta,* Congress may yet be held (by strict application of *stare decisis*) to possess the power to impose other restrictions on the presidential removal power. It is admitted that Congress may not itself participate in removals, and that, in fact, the whole tenor of the Myers decision is distinctly unfavorable to such an interpretation of Congress's power. That decision is, however, subjected to a searching criticism on both logical and historical grounds. The legislative precedent of 1789 relating to removals is shown to be far from conclusive. Nor is clear support for the court view to be found in the phraseology of Article II. On the other hand, the necessary and

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proper clause, the power of Congress to create offices, and a great body of existing legislation, create a *prima facie* case for the power of Congress to regulate the removal of all except a few officers. The chief justice may have the better of the argument on general grounds, but there is much in this analysis to support the author's contention that judges arrive at decisions by a process of "selecting" the premises upon which they will base their conclusions. Thus, a liberal point of view and an appreciation of the social consequences of their decision may lead the court members to base a future judgment, in a case directly involving Congress's power to regulate removals, upon grounds of expediency, and thus narrow the application of the Myers opinion. Though social expediency should be the rule always, it would not be necessary in this instance to overturn any previous declaration except the *obiter dicta* of the Myers case. Some readers will not accept in full the premises, arguments, or conclusions to be found in this book, such as, for example, the emphasis upon expediency in judicial decisions, the complacency shown toward further administrative decentralization, and the constitutional argument, but it must be admitted that the author makes a strong case. Aside from this, his method of approach to the problem and his analysis of the judicial process are of value.—EARL C. CAMPBELL, New Mexico State Teachers College.

In a little volume of some two hundred and forty-four pages entitled *Town Government in Massachusetts (1630-1930)* (Cambridge, Harvard University Press, 1930; viii, 244 pp. $2.50) John F. Sly compresses a study of the institutional development of town government in Massachusetts together with an analysis and appraisal of the operation of that government today. Although much of the material contained in the earlier pages of the book is drawn from monographs of well-known historians, Mr. Sly has, nevertheless, performed a real service in making their conclusions more conveniently available. His analysis of the operation of town government in Massachusetts today, however, constitutes the real contribution of the volume—a contribution which must be taken cognizance of by all students of local government.—S. C. WALLACE, Columbia University.

Although the title of William Seal Carpenter's little monograph, *The Development of American Political Thought* (Princeton, Princeton University Press, 1930; vi, 191 pp. $2.00) may be challenged on the ground that the contents of the volume are not sufficiently comprehensive to justify the title, the reader will regret the necessity for the challenge. For even though one may take exception to

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Professor Carpenter's interpretation of his material at various and sundry points, his analysis of the part played in the development of American political institutions by the concepts of contract, balance of power, democracy, individualism and the principle of majority rule is such that his further work in this field will be read by all students of the subject with the utmost interest.—S. C. WALLACE, Columbia University.

In publishing Professor William Starr Myers' little volume, *The American Government of Today* (New York, Harper & Brothers, 1931; viii, 563 pp. $3.00) Harper & Brothers have simply added one more to the list of conventional textbooks upon American government with which the country has been deluged during the last decade. The justification for the volume's publication, in so far as there is any, lies in the fact that it is exceedingly well written, that it is somewhat simpler in its treatment of its subject matter than most of the texts now in the field, and that it is conservative in its point of view. Whether the two latter characteristics will commend or doom the volume depends of course upon each individual reader's temperament.—S. C. WALLACE, Columbia University.

The medieval office of the shrievalty, which has survived with few functions unimpaired, is the subject of *The Seventeenth-Century Sheriff* (Chapel Hill, University of North Carolina Press, 1930; xv, 219 pp. $2.00) by Cyrus H. Karraker, a volume which contains much valuable material and should prove especially suggestive to the institutional and political historian. The author examines the office of the sheriff in seventeenth-century England and indicates with reference to the Chesapeake Colonies, 1607-1689, the points of consonance with and departure from functions as an executive official of the courts, as the chief medium of governmental communication, as collector of revenues, and as conservator of the peace. Both in England and in the colonies discussed, the sheriff was chosen from the country gentry; but in the mother country the office was unsought and appointment was frequently dreaded because of the exhausting expenses involved in official entertainments. In the colonies, on the other hand, it was traditionally sought by those who had suffered financial reverses. In the latter, the sheriff, in addition to royal and proprietary revenues, also collected the poll tax. Undoubtedly his ten per cent fee made the office attractive. In reading this book we are not enabled to make a successful flight from the current atmosphere of official corruption, for charges of dishonesty and extortion in the administration of the office of sheriff were raised

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on both sides of the water. In Stuart England the benevolences were equivalent to our modern political assessments of office-holders and both in England and America a term of office beyond a year was looked upon as too great an encouragement for graft. While the author has shown much industry in the examination of English and colonial sources, his study does not furnish a definitive survey of the institution of the sheriff. The absence of English county court records, as Professor Karraker concedes, makes such a study difficult. The fascinating record of the gradual encroachment upon the jurisdiction of the county court by the royal courts, the mystery of the rôle of the suitors who appear still to have determined the judgments in the former seat of justice, the importance of compurgation —all remain unclarified. The vital question of jurisdiction, both of the English and colonial courts, is inadequately treated, and the discussion of the use of writs, of court procedure, and of the survival of the deodand as a form of revenue might well have been amplified. The author appends a useful collection of illustrative documents, but in the text itself pleadings could have been treated with more economy of words. In quoting original documents, "ye" is frequently used instead of "y^{e}" or "the" and "ff" instead of "F". An excellent bibliography is furnished, but such important items within the author's range of specialization as the works of Webb and Starke on the office of the justice of the peace in Virginia and Judge Bond's important volume, *The Court of Appeals of Maryland,* are not listed.—RICHARD B. MORRIS, College of the City of New York.

In a volume published originally in Germany more than twenty years ago, and now made available to English readers—*Alfred Weber's Theory of the Location of Industries,* translated with an introduction by Carl Joachim Friedrich (Chicago, University of Chicago Press, 1929; xxxiii, 256 pp. $3.00)—Alfred Weber has attempted to formulate a body of theory to explain the location of manufacturing industry in somewhat the same way that the work of von Thünen of a century earlier explained the location of agricultural production. The volume is a pioneer contribution in an important field of theory. In the present work, Weber has limited himself to the consideration of what he calls the "pure" theory of the problem through the analysis of the constituent elements determining the location of industries and the formulation of the laws according to which those factors work. He uses the term pure in the sense of universal to distinguish his theory from the theory that might be applicable only to a particular kind of economic system and also

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to distinguish it from the "realistic" theory based upon an analysis of the actual locational distribution of industries in Germany and in other countries. A second part of the study to contain the realistic theory is promised, but unfortunately it has never appeared. By means of a deductive analysis of an isolated production process, the author first determines the elements that enter into the cost of a product and from the list selects three, the cost of raw materials and power, the cost of transportation of the raw materials and finished product, and the labor costs, as the general regional factors responsible for the location of manufacturing industries. In addition, certain special agglomerating and deglomerating factors that concentrate or decentralize manufacturing within a region are considered. To simplify the analysis, the costs of raw materials and power are expressed in terms of the cost of transportation, allowance being made for the varying fertility of deposits of coal or raw materials by decreasing the theoretical length of the haul for the more fertile fields and by increasing it for the less fertile. The regional factors are thus reduced to two, cost of transportation and labor costs, which the author is able to express in formulas and in geometric figures. As finally formulated, Weber's theory of the location of industries may be stated as follows: if it is assumed that labor costs are uniform, the location of manufacturing industries is determined by the material index, or the ratio between the weight of the localized material and the weight of the final product; if labor costs are varied, an industry deviates from the transport location in proportion to the size of the labor coefficient, or the ratio between cost of labor per unit of product and the total weight of all goods (product, materials, fuel) transported. In other words, considering first only the cost of transportation, if the materials entering into a product are much heavier and bulkier than the finished product, the production center will be drawn toward the source of the raw material. On the other hand, if the finished product is bulkier and more difficult to transport than the raw materials entering into it, the production center will be drawn toward the point of consumption. If labor is an important element in the manufacturing process, the production center will deviate to a considerable degree from the transport center toward the supply of labor; if it is a less important element, there will be less deviation. The theory is capable of mathematical expression and solution. In a Mathematical Appendix by Georg Pick, the mathematical considerations necessary for the understanding of the theory are presented. Weber's treatment is highly abstract. The

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presentation would have been clarified considerably if it had been based not upon deductive reasoning but upon facts and examples drawn from an analysis of the location of particular industries. To the present reviewer, a much more logical arrangement would have been the formulation of the "pure" theory following the presentation of the "realistic" theory. The pure theory is based upon some rather heroic assumptions and important modifications will inevitably be necessary if the attempt is made to apply it to the actual conditions of industry. The author's introduction concludes with the hope that the book will be a beginning and not an end. The location of manufacturing industries is a subject to which much study has been given in recent years in the United States, especially by the economic geographers. Their conclusions do not differ radically from those of Weber though they have been less concerned with the theoretical aspects and more with the analysis of individual manufacturing industries and of specific regions and with the explanation of the function of the environmental factors in industrial concentrations. Much work remains to be done both in the theoretical field and in the study of the part played by climate and the other environmental factors and by race and culture in the location of industries.—JOHN E. ORCHARD, Columbia University.

Into a jungle of rumors, conflicting assertions, and tangled problems steps bravely the young research student, and emerges with a map of the area and a few precious kernels of agreed fact. To some it will seem that William Haber's *Industrial Relations in the Building Industry* (Cambridge, Harvard University Press, 1930; xx, 593 pp. $5.00), ranging over the whole field of industrial relations and into such allied territories as the problem of constructional unemployment and the history of the building congress movement, is a little of everything and not much of anything. It is obvious that the writer has leaned heavily on printed sources, which in this field usually do not cover the most significant part of the data. These defects were inevitable, given the scope. More serious is the failure to criticize material. Thus the New York Building Congress's estimates (1922) of the extent of seasonal unemployment in the several building trades, which consisted of clever guesses by joint committees of employers and unionists, are accepted as authoritative, and dignified with the title of "an investigation . . . involving 92,300 building-trade workers". Especially distressing also is a quotation from *Law and Labor*, given without criticism or further investigation as proof that unions restrict output. The author of course raises more

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questions than he can answer. Some questions he answers twice, in mutually contradictory fashion. Among these are the following highly important ones: Is the large, integrated building organization gaining at the expense of the sub-contractor? Does the seasonality of building operations make boys unwilling to enter the industry as apprentices? Did the National Board for Jurisdictional Awards approach in a judicial manner the cases that came to it for settlement? Does the building industry in fact act as "the balance-wheel of industry"? But it would be captious to criticize further in detail so large an undertaking. The book is sure to be used for reference since it is the first approach to a summary treatment in the field. A bibliography of works consulted would have added to its value.—HORACE B. DAVIS, Long Island City, N. Y.

In 1917 Mr. Daniel A. Prescott was in Europe as a member of the American Expeditionary Force. In September, 1926, he visited Europe as a Research Scholar of the Graduate School of Education of Harvard University, and on this second occasion spent a year in studying the attempts being made to develop through education a more promising attitude toward international relations. The results of this study are embodied in his book, *Education and International Relations* (Cambridge, Harvard University Press, 1930; ix, 168 pp. $2.50). Mr. Prescott discovered that in the interval between his two visits there had developed a sense of responsibility on the part of teachers and school authorities for so instructing children that international coöperation should be increasingly thought of as a normal and desirable procedure. The force which most conspicuously operates in the direction of better international understanding in Europe is the League of Nations and the societies found everywhere for the promotion of the ideals of the League and of knowledge about its purposes and operation. In addition to the account of how education in respect to the League of Nations is carried out, Mr. Prescott also shows how, as exemplified in the schools of Vienna, the newer type of education, which stimulates pupils to independent thinking, may be expected to result in a liberation of coming generations from the obstructions placed in the path of international understanding by national consciousness, class consciousness and tradition, to each of which he devotes a separate chapter. The author finds a rather imposing organization, particularly in the schools of France and England, of pupils and teachers into a devoted following of the ideals of the League of Nations. He cites documents which indicate that educational

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authorities and teachers' organizations are giving at least lip service to the ideals for which the League, in the eyes of its friends, is believed to stand. No method of check-up was employed to discover the influence of these organized efforts upon the thinking of children in matters of nationalism and internationalism. The author expresses the hope that a sufficiently prolonged effort made in the schools will habituate the coming generation to thinking of social problems in terms not simply of their relation to the welfare of national groups but with a sound regard for the facts of international interdependence. He is confident that this habituation will make international coöperation seem to this new generation as it comes to positions of social responsibility a more natural procedure than it has seemed to the old generation which has been habituated to thinking in no larger terms than those of nationalism.—LESTER M. WILSON, Teachers College.

Beginning with the thesis that it is useless to construct a "Society of Nations" until "the societies of the nation" have assumed their proper function in France, Et. Martin-Saint-Léon, in his book, *Les Sociétés de la nation* (Paris, Éditions Spes, 1930; xxiii, 410 pp. 45 francs) gives a painstaking analysis of the past, present and possible future of French group organization. Although the present study is the fruit of some thirty years of research on labor problems, the Conservator of the Library of the *Musée Social* lays no claim to originality. In true sociological fashion he spends more time analyzing past conditions and presenting the opinions of others than he does in advancing his own conclusions. Book I surveys those natural societies which are the foundation of French life — the family, the profession, the religious association, the regional unit and the social classes. Book II analyzes the contractual societies which are second in importance to natural groups—the political parties, the syndicates of employers and employees, the agricultural, industrial, commercial and intellectual associations of France. No type of group organization escapes the eagle eye of the author. True patriot as he is, it seems strange that he should make such cursory reference to the avowedly nationalist societies (p. 244). Books III and IV include an investigation of the present legal status of organized groups in France, and a synopsis of all manner of projects from Saint-Simon to the Social Catholic school, whose purpose is to remedy the deficiencies of the party system of political representation. The chief interest of the book centers in the last twenty pages, where, in *La Cité future,* the author outlines a project for the French Parlia-

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ment of the future (p. 390). Innumerable schemes have been devised for the political representation of contractual societies. The foundation-stone of Saint-Léon's revised constitution is the adequate representation of natural, as well as contractual societies, the former in the Chamber of Deputies, the latter in the Senate. Appalled by the low birth rate in France, he advocates the readjustment of the suffrage so as to give additional votes to the fathers of large families (p. 396—one additional vote to the father of two children, two to the father of four or more). Saint-Léon's prescription for the recovery of France from her present state of moral unrest includes a close alliance between Church and State, and a policy of modern decentralization as opposed to the denationalizing effects of integral regionalism. The reader may not be inclined to accept all the author's proposals for *La Cité future*. In the last analysis his future Parliament is a synthesis somewhat differently compounded, a little more complicated and a little less radical, than some of the many suggestions for the political representation of collective life. But Saint-Léon has done his work well. *Les Sociétés de la nation* is, in itself, a monument to the French spirit of coöperation.—M. MARION MITCHELL, Lindenwood College.

The United States Department of Commerce has during the last few years brought out some interesting and valuable studies of monetary and banking organization and procedure in sundry foreign countries. A recent publication in this general field is *Japanese Banking* by Herbert M. Bratter (Washington, Government Printing Office, 1931; x, 295 pp. 50 cents). The author is a specialist in Far Eastern Finance in the Department and has thus been able to get access to material not readily available to the general student. He has previously published studies of Japanese currency and of special aspects of Japanese banking. The present study discloses that the Japanese banking system is somewhat like of the United States in that it has recognized the need for specialized types of institutions and has under the stress of actual developments made provision for them. Nevertheless there is nothing like adequate coördination of these separate entities into a unified and homogeneous system, while at the same time public regulation and supervision has not been adequately developed. The result has been that Japan, too, has at times had some bad bank failures, her people have suffered unnecessary losses and her economic life has not been vouchsafed aid that a carefully devised and well managed banking system can give.—E. E. AGGER, Rutgers University.

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The Interstate Commerce Commission, Part I, by I. L. Sharfman (New York, The Commonwealth Fund, 1931; xvi, 317 pp. $3.50), dealing with "The Legislative Basis of the Commission's Authority", is the first of a series which when completed will include four volumes. The other parts will deal respectively with the scope of the Interstate Commerce Commission's *jurisdiction*, the character of the Commission's *activities*, and the Commission's *organization and procedure*. The study was made under the auspices of the Legal Research Committee of the Commonwealth Fund. The foreword states that "The later volumes are in an advanced condition and it is expected that they will follow at reasonable intervals." The work is scholarly, thorough and well proportioned, and, if the subsequent volumes upon the jurisdiction, activities and procedure of the Commission are of equal merit, the study as a whole will make a most valuable contribution to the literature of administration. Such a study will enable the public to appraise the work of the Interstate Commerce Commission more accurately and will assist Congress in framing future legislation. Although a broad field of regulation has already been covered, the field must necessarily be yet further widened by the more adequate regulation of carriers by highways, waterways and airways. For this reason Dr. Sharfman's work is timely and of practical value. The present volume sets forth the legislation that has thus far been enacted for the regulation of railroads and the other agencies of transportation that have been made subject to the interstate commerce act as it now stands. The conditions that led to the several laws are briefly stated, and the influence exerted by the Commission in developing the present elaborate scheme of regulation is well described. The provisions of the numerous laws that have been enacted in the evolution of the present lengthy interstate commerce act are adequately set forth, and there is some appraisal of the merits of the legislation. For the most part, however, the present volume is limited to exposition and is not critical. Presumably the discussion of the jurisdiction, activities and procedure of the Commission will be more critical, will pass judgment upon the wisdom of what has been done while describing the actions that have been taken and setting forth the causes that led to those actions. This is indicated by the author's general outline of the scope of the three volumes yet to be published. In the division dealing with "The War Experience and Its Significance", the author allows himself to appraise freely the wisdom of both legislation and admin-

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istration. He considers the direct operation of the railroads by the government during the war and for a period thereafter was wise, and the policy pursued by the Railroad Administration apparently has his approval in all particulars. He does not raise the question whether the President might wisely have exercised his control through a board of railway executives in accordance with the policy followed by the British government. History has yet to appraise the wisdom and the results of twenty-six months of political operation of the railroads in the United States. Fortunately the country turned a deaf ear to the appeal of the Railroad Administration for a five-year extension of government operation; and it is equally fortunate that Congress was not influenced by the efforts of the railway labor organizations to bring about government ownership of the railroads. The evident purpose of the author has been to make his volume as rich as possible in information and data. He has in consequence put fully half of the text into footnotes and rather fine type. This adds to the labors of the reader. The notes contain so much of the important and even essential data that they must be read, and it is distracting to the reader to be called upon to read two texts at the same time, one in larger the other in smaller type. It would improve the style to put the essential data in the text proper, to limit footnotes mainly to references, and to use appendices for presenting supporting, supplementary matter.—EMORY R. JOHNSON, University of Pennsylvania.

British industry is depressed, to an even greater degree than world industry; depressed industry requires rationalization; rationalization requires adequate financing and sound monetary policy; British banks should expand their functions in order properly to meet this financial challenge. Such is the central theme of *British Banks and the Finance of Industry*, by S. Evelyn Thomas (London P. S. King and Son, Ltd., 1931; vii, 290 pp. 12s. 6d.), a British survey of the economic problem of 1931. A survey type of treatment is employed, in which a great many quotations from British bankers, economists and government reports are corralled as evidence and as background. Lesser emphasis is placed upon a definite analytical attack. The analyses of others are compared and criticized but the author does not carry his own analysis to the point of a clear-cut logic or philosophy. The survey leads the author to look with envious eyes upon the German banking system and the systems of other foreign countries in contrast with that of Great Britain. He declares: "There is not the slightest doubt that the

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remarkable recovery of German industry and its efficient organization after the calamitous depression of 1925-26 would have been impossible but for this close relationship between the banks and industry. In some cases rationalization has been directly due to banking initiative, if not to banking pressure implied in the power to withdraw credits unless re-organization were effected." The German banking approach is characterized as "interference with industry" and is set forth in contrast with the English system of "non-interference". The British banker "never assumes any responsibility for the conduct or management of a customer's business, in the capacity of partner, director or otherwise." Consequently, the author points out, British industry has not been pried out of tradition and inertia by forward-looking financiers, as has German industry by German financiers. The author's tendency to ascribe great virtues of initiative and pioneering to bankers, but to paint industrialists as enemies of progress because wedded to tradition, is not very convincing. There may be room for British bankers to turn promoters, but if industrialists must wait for the vision to come from the bankers, who are proverbially conservative, cautious men, they may find the process of rationalization tediously slow, even though British bankers become partially impregnated by German financing strategies. The author recommends that British bankers emulate German and American bankers in devoting more attention to statistical research and in thus putting themselves in a position to give advice and direction to industry. Armed with this preparation, they should seek "direct representation on large organizations wherein they are financially interested, and so place their advice directly at the disposal of leading industrialists". This new attitude would require that British bankers in the future should have "greater regard for the borrowers' interests" and less exclusive regard for the depositors' interests. But the author recognizes that however sincere bankers may be in stepping out along the paths suggested, they may be frustrated by an unstable general monetary policy. He suggests a combination of internal and external credit policy, involving coöperation among central banks, calculated to regulate the volume of credit in such manner as to obviate excessive fluctuations in commodity prices. The book is useful as a means of gaining a birds-eye-view of divergent British schools of thought. The focus of the whole mass of opinion and counter-opinion is the question applied to bankers: What more can they do than they have been doing to furnish economic leadership? The "lessons of the

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controversy", though noticeably vague and evasive, nevertheless are suggestive of a sane, middle-ground line of constructive action.—LIONEL D. EDIE, New York City.

After reading *Colossal Blunders of the War*, by William Seaver Woods (New York, The Macmillan Company, 1930; viii, 274 pp. $2.50), it is difficult to see what useful purpose this volume can serve. In the preface the author states that the time has come when the blunders made by the military and civil leaders of all of the nations in the war should be recorded in order that they will not be repeated in any future war. Surely this is highly desirable, but the pages which follow fail to indicate how this end is to be accomplished. The first five chapters record the so-called blunders of the United States in the war. These include the familiar charges that the country was deficient in trained officers, that we had insufficient supplies of munitions, artillery and airplanes, and, finally that there was much waste and incompetence in carrying out our plan of mobilization. The remedies proposed are the usual ones advocated by military and naval officials. Thus far the book appears to be a frank appeal for greater preparedness. If such is the purpose of the author his argument loses much of its force when, in the following five chapters, he recounts the blunders of the Germans, admittedly the most efficiently prepared militarily of any of the nations in the war. Some of the recorded blunders of the German military leaders surpass in stupidity those attributed to the American leaders. In dealing with the French and British blunders the author records the familiar criticisms of the Dardanelles campaign, of the disastrous efforts of General Nivelle to break the German line, and of the failure of the Allies to provide for a unified command of the Allied forces until near disaster in the spring of 1918. The concluding nine chapters, constituting about one-third of the entire book, recount the mistakes made by the Russian authorities. Much of the material in these chapters is only remotely related to the "blunders" made by the Russian civil and military leaders in the war. For example, a whole chapter is devoted to the well-known story of the malign influence of the monk Rasputin on the Czarina. This information is neither new nor germane to the subject matter of the book. In general it may be said that this book makes no substantial contribution to the military history of the war nor does it offer any hopeful remedy for the admitted "colossal blunders" that were made on all sides.—NELSON P. MEAD, College of the City of New York.

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